



July 2016

# DHS MANAGEMENT

## Enhanced Oversight Could Better Ensure Programs Receiving Fees and Other Collections Use Funds Efficiently

Accessible Version

# GAO Highlights

Highlights of [GAO-16-443](#), a report to congressional requesters.

## Why GAO Did This Study

The uncertain budgetary environment highlights the need for DHS to effectively manage and oversee billions of dollars in fees and other collections from users of homeland security program services. Each DHS component is responsible for administering, managing, and reviewing their respective programs to ensure that, consistent with law and policy, rates charged to users of program services are set to collect amounts sufficient to recover program costs and ensure efficient operations, but not in excess of operational needs.

GAO was asked to review DHS's management and oversight of these programs. This report examines the extent to which (1) DHS components receive fees and other collections to recover program costs and manage any differences, as appropriate; (2) DHS components have processes in place to manage unobligated balances; and (3) DHS ensures components review their programs and monitors component action to address any management and operational deficiencies.

GAO analyzed DHS financial information for 38 programs receiving fees and other collections in fiscal year 2014, examined DHS fee reviews and study results, and interviewed agency officials.

## What GAO Recommends

GAO recommends that DHS ensure components document processes for managing differences in collections and costs, establish balance targets, and conduct program reviews and address identified deficiencies. DHS concurred with the recommendations.

View [GAO-16-443](#). For more information, contact Andrew Von Ah at (213) 830-1011 or [vonaha@gao.gov](mailto:vonaha@gao.gov).

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## DHS MANAGEMENT

### Enhanced Oversight Could Better Ensure Programs Receiving Fees and Other Collections Use Funds Efficiently

## What GAO Found

The Department of Homeland Security (DHS) received \$15 billion in fees and other collections across 38 programs in fiscal year 2014 that help fund homeland security functions, such as the screening and inspection of persons and goods entering the United States. Our analysis of DHS collections and cost data showed that 14 of the 38 programs receiving fees and other collections in fiscal year 2014 collected amounts that fully covered identified program costs. Of the remaining 24 programs, collections for 20 programs partially covered identified program costs, and DHS did not provide cost data, or we determined such data may not be reliable, for 4 programs. DHS components have taken action to address the estimated \$6 billion difference between collections and identified program costs, with 6 programs comprising about 85 percent of the difference. However, components did not document processes for managing differences and making decisions on how to address the estimated \$726 million difference across the 10 remaining programs. Such documentation of processes and decisions could help improve transparency and accountability over cost recovery efforts.

DHS components have processes in place to manage unobligated balances carried over across fiscal years for 25 programs, with such balances totaling \$2.6 billion at fiscal year-end 2014. These processes generally focused on ensuring continuity of program operations rather than efficiently using funds. For example, while components established targets for minimum balances for 21 of these 25 programs, none of the components established processes and related maximum targets to manage excessive unobligated carryover balances. Establishing such management processes and targets for minimum and maximum balances would enable components to show that management actions will be sufficient and appropriate to ensure the efficient use of funds—such as the Immigration Examinations Fee Account, which had an approximately \$983 million unobligated balance as of fiscal year end 2014, and the User Fee Facility program account for small airports which has an unobligated balance of \$14 million that has exceeded 100 percent of total operating costs each year from fiscal year 2010 through fiscal year 2014.

DHS does not ensure that all components review their programs or monitor component actions to address management and operational deficiencies identified in those reviews. GAO found that three of the seven DHS components that have fee or other collection programs did not conduct such reviews for 6 of their programs, and that components had not taken recommended actions to address 9 of 20 deficiencies identified through program reviews as of fiscal year-end 2014. Further, DHS did not report the extent to which components are conducting such reviews or any proposals to address identified management and operational deficiencies. DHS oversight to ensure that components complete these reviews and report the results for all programs would enable Congress and others to receive information necessary to better ensure that fee and other collection programs are operating effectively and efficiently.

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## Abbreviations

AQI	Agricultural Quarantine Inspection program
CBP	U.S. Customs and Border Protection
Coast Guard	U.S. Coast Guard
CFO	Chief Financial Officer
CFO Act	Chief Financial Officers Act of 1990
COBRA	Consolidated Omnibus Budget and Reconciliation Act
DHS	Department of Homeland Security
FEMA	Federal Emergency Management Agency
FPS	Federal Protective Service
ICE	U.S. Immigration and Customs Enforcement
IEFA	Immigration Examinations Fee Account
IOAA	Independent Offices Appropriations Act of 1952
IUF	Immigration Inspection User Fee
NPPD	National Protection and Programs Directorate
OCFO	Office of the Chief Financial Officer
OMB	Office of Management and Budget
TSA	Transportation Security Administration
USCIS	U.S. Citizenship and Immigration Services
USDA	U.S. Department of Agriculture
Winter Study	2014-2015 User Fee Winter Study

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July 21, 2016

The Honorable Scott Perry  
Chairman  
The Honorable Bonnie Watson Coleman  
Ranking Member  
Subcommittee on Oversight and Management Efficiency  
Committee on Homeland Security  
House of Representatives

The Honorable Jeff Duncan  
House of Representatives

In fiscal year 2014, the Department of Homeland Security (DHS) received fees and other collections totaling approximately \$15 billion that contributed to its approximately \$60 billion in budget authority available to execute its mission-critical activities related to preventing terrorism, securing the nation's borders, and enforcing and administering immigration laws, among other things.<sup>1</sup> DHS's reliance on resources derived from fees and other collections highlights the need for DHS to ensure it has processes in place to comprehensively manage and oversee its portfolio of 38 programs that derive some or all resources from these sources.

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<sup>1</sup>Budget authority is authority provided by federal law to enter into financial obligations that will result in immediate or future outlays involving federal government funds. The basic forms of budget authority include appropriations, borrowing authority, contract authority, and authority to obligate and expend offsetting receipts and collections. As the term is used in this report, a "fee" is a user fee or user charge assessed to users for goods or services provided by the federal government and generally apply to federal programs or activities that provide special benefits to identifiable recipients above and beyond what is normally available to the public and that normally relate to the cost of the goods or services provided. In addition, the term "other collections" as used in this report refers to any fines, duties, taxes, trust fund receipts, and interagency transfers received by DHS. In some instances, the term "programs" is used generally to describe the programs and activities through which DHS receives fees and other collections.

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Within DHS, each component is responsible for administering, managing, and reviewing its portfolio of programs.<sup>2</sup> The Office of the Chief Financial Officer (OCFO) is responsible for the fiscal management, integrity, and accountability of the department and, among other things, provides guidance and oversight for the department's resource management systems to ensure that funds necessary to carry out its missions are obtained, allocated, and expended in accordance with departmental priorities and relevant laws and policies. As such, the OCFO is responsible for ensuring that the DHS components administering programs receiving fees and other collections do so in a manner consistent with applicable statutory authorities and federal guidance. This includes providing components with guidance for maintaining appropriate levels of unobligated balances to ensure programs are resilient to revenue instability and surges in program activity, and do not overcharge program users beyond the costs of services provided. Such guidance is intended to help ensure that balances do not fall so low as to impair the efficient management of operations or rise too high so as to suggest fee collections do not align with operational needs. In addition, DHS OCFO has responsibility for ensuring components provide decision makers and stakeholders with timely and accurate financial information in order to inform the budget formulation and regulatory processes.

We have previously reported on DHS's management and oversight of its overall resources, as well as management and oversight of resources derived from specific fees and other collections. For example, DHS management remains on our high-risk list. We have found that while DHS's efforts to strengthen and integrate its management functions have resulted in it meeting or partially meeting five of GAO's criteria for removal from the high-risk list, DHS continues to face challenges in ensuring strong management practices and effective oversight in meeting its mission needs, and concluded that progress was needed to mitigate the risks that management weaknesses posed to mission accomplishment

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<sup>2</sup>The following seven DHS components administer programs receiving fees and other collections: U.S. Customs and Border Protection (CBP), U.S. Citizenship and Immigration Services (USCIS), Transportation Security Administration (TSA), Federal Emergency Management Agency (FEMA), U.S. Immigration and Custom Enforcement (ICE), National Protection and Programs Directorate (NPPD), and U.S. Coast Guard (Coast Guard).



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and the efficient and effective use of the department's resources.<sup>3</sup> In regard to management for programs receiving fees or other collections, we have previously found that changes to the management of collections can affect the efficiency, equity, and revenue adequacy of, and reduce administrative burden on, programs.<sup>4</sup> Specifically, we reported in May 2011, that the National Protection and Programs Directorate's (NPPD) Federal Protective Service (FPS)—an agency funded primarily by reimbursable agreements with federal customer agencies for services—did not review its rates to develop an informed, deliberate design, and that although expenses incurred through the protection of federal facilities vary, FPS did not know the extent to which some facilities subsidized others.<sup>5</sup> Additionally, in March 2013 we found that, among other things, U.S. Customs and Border Protection's (CBP) share of fee collections from the Agricultural Quarantine Inspection program (AQI) did not properly align with its costs of conducting AQI inspection activities, and recommended that the U.S. Department of Agriculture, in consultation with CBP, ensure that fee collections are allocated consistent with each agency's program costs.<sup>6</sup> Some recommendations addressing the

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<sup>3</sup>In our February 2015 high-risk update report, we found that DHS had met two criteria and partially met the remaining three criteria. DHS subsequently met an additional criterion—establishing a framework for monitoring progress—and therefore as of March 2016, has met three criteria and partially met the remaining two criteria. Specifically, DHS has met our criteria relating to leadership commitment, development of an action plan, and monitoring; and has partially met our criteria relating to capacity (having sufficient resources), and demonstrated progress. See GAO, *High-Risk Series: An Update*, [GAO-15-290](#) (Washington, D.C.: Feb. 11, 2015), and GAO, *Department of Homeland Security: Progress Made, but Work Remains in Strengthening Acquisition and Other Management Functions*, [GAO-16-507T](#) (Washington, D.C.: March 16, 2016).

<sup>4</sup>GAO, *Federal User Fees: A Design Guide*, [GAO-08-386SP](#) (Washington, D.C.: May 29, 2008).

<sup>5</sup>GAO, *Budget Issues: Better Fee Design Would Improve Federal Protective Service's and Federal Agencies' Planning and Budgeting for Security*, [GAO-11-492](#) (Washington, D.C.: May 20, 2011).

<sup>6</sup>GAO, *Agricultural Quarantine Inspection Fees: Major Changes Needed to Align Fee Revenues with Program Costs*, [GAO-13-268](#) (Washington, D.C.: Mar. 1, 2013).

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management challenges we identified have been addressed.<sup>7</sup>

Understanding DHS components' processes for aligning collections with identified program costs, estimating and managing unobligated balances carried over from one fiscal year to another, and DHS OCFO's process for overseeing its portfolio of programs receiving fees and other collections provides valuable insights into how effectively the department anticipates program needs and ensures the efficient use of its resources derived from fees and other collections.

You asked us to review the approach DHS uses to manage and oversee its portfolio of programs receiving fees and other collections to ensure management and operational challenges are identified and resolved. This report addresses the extent to which: (1) fees and other collections cover program costs and DHS components have taken appropriate actions to manage any differences between program costs and collections; (2) DHS components have processes in place to manage unobligated carryover balances, and have taken appropriate actions to ensure the efficient use of such unobligated carryover balance; and (3) DHS OCFO ensures components review programs receiving fees and other collections and monitors component actions to address identified management and operational deficiencies.

In conducting our work, we identified 38 programs receiving fees and other collections by interviewing DHS OCFO officials and by reviewing relevant budget documents for fiscal year 2014—the most recent fiscal year with complete data at the time we started our review—and DHS

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<sup>7</sup>Specifically, in April 2014, Federal Protective Service (FPS) addressed our recommendations by finalizing its *Activity Based Cost Model Independent Verification and Validation Report* that, along with FPS's fiscal year 2015 congressional budget justification (CBJ), outlined the purpose and rate setting procedures for FPS fees and demonstrated FPS's ability to conduct regular, timely, and substantive fee reviews. In October 2015, the Animal and Plant Health Inspection Service within the Department of Agriculture amended its user fee regulations to improve fee alignment, among other things, by adding new fee categories, adjusting current fees charged for inspection services provided in connection with arrivals at United States ports of entry, and adjusting or removing caps (i.e. limits on amounts that may be charged) on fees associated with commercial cargo vessels, and railcars. See 80 Fed. Reg. 66,748 (Oct. 29, 2015). As of May 2016, of the eighteen recommendations in the March 2013 report, ten have been implemented, three have been closed as not implemented, and five remained open.

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studies and reviews of programs receiving fees and other collections.<sup>8</sup> We obtained financial information from seven components administering these 38 programs—including collections, unobligated carryover balances, and program costs identified for each program<sup>9</sup> from components' respective financial accounting systems.<sup>10</sup> To assess the reliability of these data, we (1) conducted interviews with agency officials responsible for producing the data; (2) reviewed the extent to which components have procedures and controls for ensuring that the data maintained in their financial systems are consistent and accurate; (3) examined the data for obvious errors and inconsistencies; (4) compared the data with DHS's Congressional Budget Justification for fiscal year 2015; and (5) reviewed related GAO reports, DHS biennial fee reviews, related DHS Inspector General reports, and independent public accounting firm reports related to these data. In addition, for program costs identified by the components, we reviewed documentation—such as past GAO reports and biennial reviews—describing how program

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<sup>8</sup>For a complete listing of the DHS fee and collection programs we identified, see appendix I. For purposes of this review, a single fee program may be comprised of multiple individual fees. In some instances, a fee program may be jointly administered by multiple DHS components or by a DHS component and a non-DHS department or agency and in which case the DHS component may not be authorized to obligate and expend certain amounts collected through the program.

<sup>9</sup>For the purposes of this report, the term “identified program costs” refers to the direct and indirect (i.e. full) costs associated with collecting and administering a fee or other collections program, as well as the provision of services associated with or supported by a fee, as identified by DHS components. See, e.g. Office of Management and Budget (OMB) *User Charges*, OMB Circular No. A-25, § 6(d) (1993); see also OMB, *Preparation, Submission and Execution of the Budget*, OMB Circular No. A-11, § 51 (revised 2015) (addressing, among other things, the determination of program costs). For more information on accounting for program costs, see GAO, *Managerial Cost Accounting Practices: Implementation and Use Vary Widely across 10 Federal Agencies*, [GAO-07-679](#) (Washington, D.C.: July 20, 2007); *Managerial Cost Accounting Practices: Leadership and Internal Controls Are Key to Successful Implementation*, [GAO-05-1013R](#) (Washington, D.C.: Sept. 2, 2005). According to our review of component documentation, such as biennial fee reviews, program costs identified by components, may include but are not limited to; the direct and indirect costs associated with specific activities or tasks, such as administrative costs, salaries and expenses, and inspection and screening services. For some programs, such as CBP's Harbor Maintenance Fee program, identified program costs are not directly linked to a CBP program. Rather, pursuant to DHS's annual appropriations acts, a specified amount of CBP's appropriation is derived from the Harbor Maintenance Trust Fund for administrative expenses related to collecting the Harbor Maintenance Fee. See, e.g., Pub. L. No. 113-76, div. F, 128 Stat. 5, 248-49 (2014).

<sup>10</sup>Unobligated carryover balances are the amount of an agency's budget authority carried over from prior fiscal years that remains legally available for obligation.

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costs are identified, and interviewed knowledgeable component officials about the limitations of these data. We identified limitations to the cost data provided by components such as the inability to accurately estimate and report direct and indirect cost, and note these limitations in the body of our report.<sup>11</sup> We determined the data were sufficiently reliable for the purposes of our report to convey the general magnitude of collections, identified program costs, and unobligated carryover balances.

To determine the extent that program collections recovered identified costs, and DHS components have taken appropriate actions to manage any differences, we first compared amounts DHS collected in fiscal year 2014 to identified program costs for each of the 38 programs. We then compared our analysis of these differences across programs to those programs for which DHS and its components had identified a need to increase cost recovery as documented in DHS biennial fee review reports, annual agency budget submissions, proposals for legislative or regulatory change, and discussion with DHS OCFO and component officials. In addition, we reviewed and assessed available DHS component documentation of processes and analysis guiding the rationale for decisions and actions taken to address differences between collections and program costs, compared to tenets of the DHS Fiscal years 2014-2018 Strategic Plan, project management guidance, and *Standards for Internal Control in the Federal Government*, which provides guidance to agencies to achieve their mission goals and improve transparency and accountability.<sup>12</sup> We also interviewed relevant DHS officials regarding the impacts of differences between collections and

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<sup>11</sup>GAO has previously reported that DHS components face challenges in accounting for and identifying program costs. See [GAO-15-290](#) and GAO, *Flood Insurance: More Information Needed on Subsidized Properties*, [GAO-13-607](#) (Washington, D.C.: July 3, 2013). The scope of this report did not include a review of DHS components' financial accounting systems and cost data. OMB Circular A-25 provides that in reviewing user fees, full cost shall be determined or estimated using the best available records of the agency, and new cost accounting systems do not need to be established solely for this purpose.

<sup>12</sup>Project Management Institute, Inc. *A Guide to the Project Management Body of Knowledge (PMBOK® Guide)*, Fifth Edition, 2013. PMBOK is a trademark of Project Management Institute, Inc. We have used *A Guide to the Project Management Body of Knowledge* to provide criteria in previous reports, including GAO, *Nonproliferation and Disarmament Fund: State Should Better Assure the Effective Use of Program Authorities*, [GAO-13-83](#) (Washington, D.C.: Nov. 30, 2012). GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

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program costs and actions taken to pursue increases in cost recovery for certain fee and collection programs.

To determine the extent to which DHS components have processes in place to manage unobligated carryover balances and ensure efficient use of these funds, we first analyzed the size and composition of any unobligated balances DHS components carried over from the end of fiscal year 2014 to the beginning of fiscal year 2015 for each of the 38 programs. We then discussed with DHS component officials the extent that they had processes in place to manage unobligated carryover balances, to include targets for minimum unobligated carryover balances necessary to ensure continuity of operations and targets for maximum balances to ensure efficient use of resources. To determine the extent components had managed their programs to targets for minimum balances, we compared the amount of unobligated carryover balance from the end of fiscal year 2013 and the amount obligated in the first quarter of fiscal year 2014 for each program as described in DHS's *Contingency Plan*.<sup>13</sup> Further, as components had not identified maximum unobligated carryover balance targets for programs, we compared unobligated carryover balances as of the end of fiscal year 2013 to identified program costs for fiscal year 2014 and conducted interviews with DHS component officials to determine the extent carryover balances may or may not be excessive to operational needs of each program. We compared component management of unobligated carryover balances with criteria identified in our past work on evaluating carryover balances and managing revenue instability (e.g., annual fluctuations in fee collections).<sup>14</sup>

To determine the extent that DHS OCFO ensures components review programs and monitors action to address identified management and operational deficiencies, we analyzed the extent that DHS components

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<sup>13</sup>DHS, *DHS User Fees: Fiscal Year 2014 Contingency Plan, First Quarter, Fiscal Year 2014 Report to Congress*, (Washington, D.C.: June 23, 2014).

<sup>14</sup>GAO, *Budget Issues: Key Questions to Consider When Evaluating Balances in Federal Accounts*, [GAO-13-798](#) (Washington, D.C.: Sept. 30, 2013). In developing those criteria, we identified common themes and factors that contribute to fluctuations in carryover balances and worked with stakeholders such as the Office of Management and Budget to develop a list of questions on four broad topics for congressional committees, managers, and others to consider when examining such balances government-wide. See also [GAO-13-798](#) and GAO, *Federal User Fees: Fee Design Options and Implications for Managing Revenue Instability*, [GAO-13-820](#) (Washington, D.C.: Sept. 30, 2013).

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reviewed programs receiving fees and other collections on a biennial basis and made recommendations to address any identified deficiencies consistent with the Chief Financial Officers Act of 1990 (CFO Act) and implementing guidance in Office of Management and Budget (OMB) Circular A-25.<sup>15</sup> To determine the extent the DHS OCFO reports, as appropriate, on the results of components' biennial fee reviews and resulting proposals, we also reviewed DHS OCFO's *Agency Financial Report for Fiscal Year 2014* and DHS quarterly reports for programs receiving fees and other collections. We interviewed DHS OCFO and relevant component officials regarding the extent DHS components comply with biennial reporting requirements for each of the 38 programs receiving fees and other collections, identify any management and operational deficiencies, and track the implementation status of recommended actions consistent with *Standards for Internal Controls in the Federal Government*.<sup>16</sup> We also interviewed OMB staff to obtain the agency's perspective on the extent DHS is compliant with biennial reporting requirements and takes actions consistent with relevant OMB policies and guidance. We also reviewed documentation relating to

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<sup>15</sup>Pursuant to the Chief Financial Officers Act of 1990 (CFO Act), an agency's CFO is to review, on a biennial basis, the fees, royalties, rents, and other charges imposed by the agency for services and things of value it provides, and make recommendations on revising those charges to reflect costs incurred by the agency in providing those services and things of value. See Pub. L. No. 101-576, § 205(a), 104 Stat. 2838, 2841-45 (1990); codified in relevant part at 31 U.S.C. § 902(a)(8). OMB Circular A-25 provides, among other things, that agencies are to review user charges biennially, to include (1) assurance that existing charges are adjusted to reflect unanticipated changes in costs or market values and (2) a review of other programs within the agency to determine whether fees should be initiated for government services or goods for which it is not currently charging fees, and discuss the results of the reviews and any resulting proposals in the annual report required by the CFO Act. See OMB Circular No. A-25, §8(e); 31 U.S.C. § 902(a)(6). OMB Circular A-25 also provides that when the imposition of a fee is prohibited or restricted by existing law, agencies are to review activities periodically and recommend legislative changes when appropriate. See *id.* at § 6. While the CFO Act generally is applied to fees—as defined in OMB Circular A-25—charged by government agencies to nongovernmental entities, the act's provision requiring biennial review provides a useful leading practice for the review of intragovernmental and reimbursable agreements, such as FPS's Basic Security and Oversight fees and CBP's User Fee Facility program. We have previously reported that there are benefits that could be realized by an agency that applies the principles of OMB Circular A-25 to fee programs that are not specifically governed by the Circular. See [GAO-08-386SP](#) and [GAO-11-492](#). Moreover, we have previously reported that OMB staff stated that they believe OMB Circular A-25 provides good management principles for setting and reviewing user fees that can be applied to independent entities. See GAO, *Federal User Fees: Key Considerations for Designing and Implementing Regulatory Fees*, [GAO-15-718](#) (Washington, D.C.: Sept. 16, 2015).

<sup>16</sup>[GAO/AIMD-00-21.3.1](#).

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results of DHS studies of programs receiving fees and other collections including DHS's 2012 Fee Structure Review and 2014-2015 *User Fee Winter Study (Winter Study)* to determine the extent management challenges were identified and actions were taken to address these challenges. In addition, we interviewed DHS OCFO officials regarding the actions DHS has taken to address management challenges identified as part of department-wide fee portfolio reviews.

We conducted this performance audit from February 2015 to July 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

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### Authority to Receive and Obligate Fees and Other Collections

The various types of fees and other collections received by federal agencies are, in general, governed by two authorities—an authority to charge a fee and an authority to retain and obligate fee collections.<sup>17</sup> An agency's authority to charge fees or establish other collections is derived either from the general statutory authority to assess user charges pursuant to the Independent Offices Appropriation Act of 1952 (IOAA) or from a statutory provision authorizing or directing an agency to establish a particular fee or other collection.<sup>18</sup> IOAA provides that, in general, each service or thing of value provided by an agency to a person is to be self-sustaining to the extent possible, and provides the head of each agency with authority to prescribe regulations to establish the charge for a service or thing of value provided by the agency. Fees assessed under IOAA

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<sup>17</sup>See [GAO-13-820](#). An obligation is a definite commitment that creates a legal liability of the government for the payment of goods and services ordered or received, or a legal duty on the part of the United States that could mature into a legal liability by virtue of actions on the part of the other party beyond the control of the United States. Payment on an obligation may be made immediately or in the future.

<sup>18</sup>See 31 U.S.C. § 9701 (IOAA); see also, e.g., 49 U.S.C. § 44940 (establishing TSA's Passenger Civil Aviation Security Service Fee, including the rate at which the fee is assessed and purpose to which collections may be used).



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must be (1) fair and (2) based on costs to the government, the value of the service or thing to the recipient, public policy or interest serviced, and other relevant facts. Without additional statutory authority to retain fee collections, however, such collections are deposited as miscellaneous receipts in the U.S. Treasury and are not available to the agency collecting the fees.<sup>19</sup> OMB Circular A-25 establishes federal policy regarding fees assessed in accordance with IOAA and provides guidance for agency implementation of charges and disposition of such collections.<sup>20</sup> More specifically, agencies must apply the provisions of OMB Circular A-25 to fees assessed pursuant to IOAA. For fees assessed pursuant to another statutory authority, OMB Circular A-25 provides guidance to agencies that is intended to be applied only to the extent permitted by law and to the extent it is not inconsistent with a controlling statute.<sup>21</sup> In many instances, agencies receive specific authority through authorizing or appropriations legislation to collect fees and retain and obligate the collections. Such legislation may establish a specified rate or amount to be assessed, how the fee is to be calculated, the method and timing of collection, the authorized purposes for which fee collections may be used, and the degree of flexibility an agency has to set and revise fee rates through the regulatory process. Regardless of whether a fee program is established under the authority of IOAA or some other statute, we have reported on the benefits agencies could realize by applying the principles of OMB Circular A-25 to their programs receiving fees and other collections.

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## Roles and Responsibilities

Congress—through the authorization and appropriations processes—oversees DHS funding typically at the account level and may, through enacted legislation, specify the purpose for which appropriated funds may be used, restrict the amount or purpose for which the funds can be used, and require that an agency report on activities conducted at the account

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<sup>19</sup>See 31 U.S.C. § 3302.

<sup>20</sup>In general, OMB Circular A-25 covers all federal activities that convey special benefits to recipients beyond those accruing to the general public.

<sup>21</sup>See [GAO-08-386SP](#) and [GAO-11-492](#). Moreover, we have previously reported that OMB staff recognize that OMB Circular A-25 provides good management principles for setting and reviewing user fees. See [GAO-15-718](#).



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or program level.<sup>22</sup> For each program receiving fees or other collections, DHS or its components must be provided with authority to (1) conduct the activity for which the fee or other collection is authorized, (2) collect the fee or other collection at authorized levels, and (3) obligate and expend the funds collected. Furthermore, the degree of flexibility a DHS component has with respect to managing its programs receiving fees and other collections depends upon the statutory authority upon which the fee or other collection is based. For example, in cases where a statute prescribes a specific amount the agency is to charge, component officials may lack the flexibility to adjust the amount charged through the regulatory process and instead must submit a legislative proposal seeking statutory changes if it is determined that circumstances warrant an adjustment.

DHS OCFO has responsibility to oversee the department's budget formulation process in order to ensure, among other things, that DHS resources from fees and other collections are used and managed in accordance with applicable laws and policies. To this end, DHS OCFO is to ensure components comply with the biennial reporting requirements and other applicable provisions of the CFO Act and OMB Circular A-25. For example, the CFO Act provides that, among other things, an agency's CFO is to review the fees, royalties, rents, and other charges imposed by the agency for services and things of value it provides on a biennial basis, and make recommendations on revising those charges to reflect costs incurred by the agency.<sup>23</sup> In addition, DHS OCFO periodically conducts department-wide reviews of its portfolio of programs receiving fees and

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<sup>22</sup>An appropriation account is the basic unit of an appropriation and typically encompasses a number of activities or projects. A program, project, or activity is an element within a budget account that, in general, is intended to provide a meaningful representation of the operations financed by a specific budget account.

<sup>23</sup>See 31 U.S.C. § 902(a)(8). OMB Circular A-25 provides, among other things, that agencies are to review user charges biennially, to include (1) assurance that existing charges are adjusted to reflect unanticipated changes in costs or market values and (2) a review of other programs within the agency to determine whether fees should be initiated for government services or goods for which it is not currently charging fees, and discuss the results of the reviews and any resulting proposals in the annual report required by the CFO Act. See OMB Circular No. A-25, §8(e); 31 U.S.C. § 902(a)(6). Circular A-25 also provides that when the imposition of a fee is prohibited or restricted by existing law, agencies are to review activities periodically and recommend legislative changes when appropriate. See OMB Circular No. A-25, § 6. We have previously reported that agencies may fulfill reporting obligations under these provisions through the submission of agency performance and accountability reports. See [GAO-08-386SP](#).

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other collections to identify ways to minimize the effects of increasing fiscal constraints on DHS's mission and reduce reliance on annual appropriations. DHS OCFO has completed two such reviews. In fiscal year 2012, DHS OCFO conducted a *Fee Structure Review* that considered whether opportunities existed to increase flexibility in the discretionary budget in fiscal years 2014 through 2018 from both existing programs receiving fees and other collections and prospective new fees. The study focused on the amount of costs recovered by programs from collections for activities that are funded jointly by collections and annual appropriations for fiscal years 2014 through 2018. In March 2015, DHS completed the 2014-2015 *User Fee Winter Study (Winter Study)*. According to DHS OCFO officials, this study was initiated as part of the DHS Secretary's "Unity of Effort" initiative,<sup>24</sup> and the results of the *Winter Study* were expected to inform DHS's fiscal year 2017 budget formulation process and educate internal DHS stakeholders on DHS's portfolio of programs receiving fees and other collections. According to the *Winter Study Terms of Reference*, the purpose of the *Winter Study* was to provide DHS with an opportunity to consider broadly the use of user fees and similar financing alternatives—such as fines and trust funds—across DHS to examine how the use of these fees and other collections further key policy objectives and whether there is a need for greater cohesion in the management, budgeting, and oversight of user fees. Specifically, the goals of the study were to consider how to (1) best leverage resources from its fees and other collections across DHS; (2) examine how the use of fees and other collections further key policy objectives; and (3) strengthen management, budgeting, and oversight of user fees and other collections. According to DHS officials, to achieve these goals, representatives from each DHS component met on an ad hoc basis as part of the *Winter Study* working group. More specifically, the *Winter Study* sought to identify the current amounts of user fees and other collections and respective legal authorities, the intended degree of cost recovery, the history of previous requests for fee adjustments, and best practices among components. Findings and recommendations from the *Fee Structure Review* and *Winter Study* are discussed later in this report.

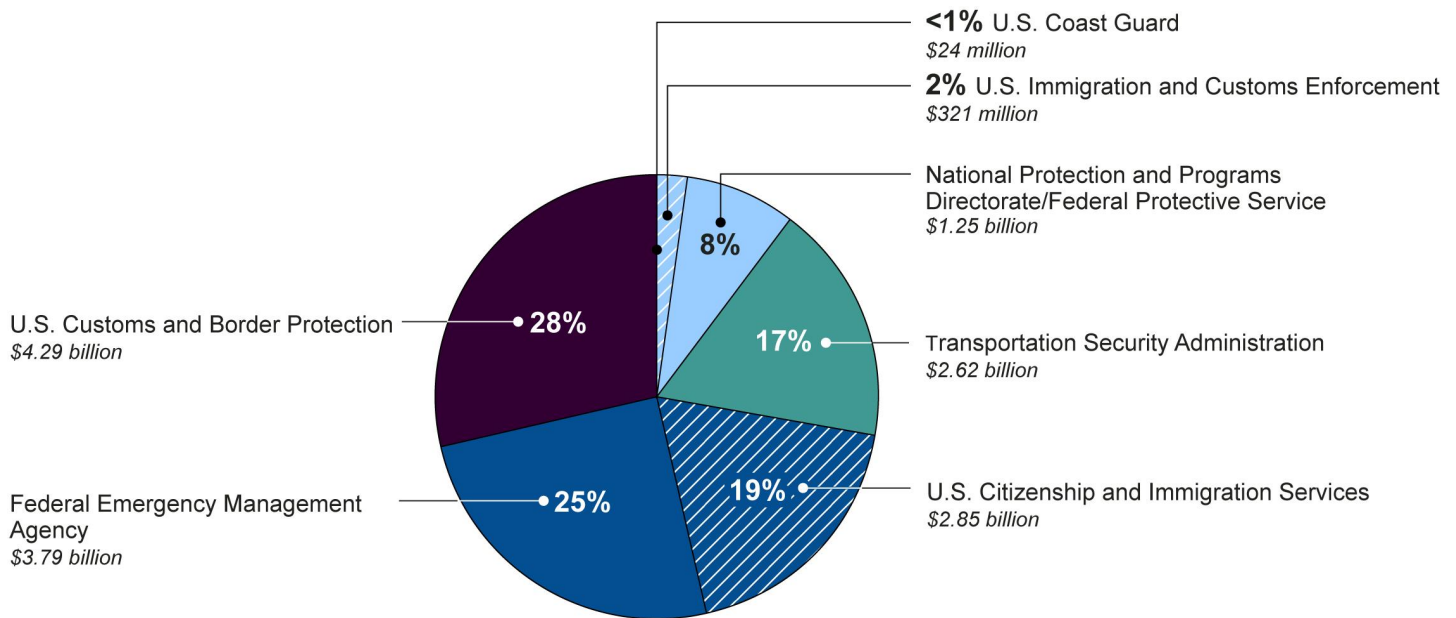
DHS components have responsibility for the collection and obligation of fees and other collections in accordance with applicable laws and

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<sup>24</sup>See DHS, Secretary of Homeland Security, *Strengthening Departmental Unity of Effort*, Memorandum for DHS Leadership (Washington, D.C.: Apr. 22, 2014).

policies. CBP and the Federal Emergency Management Agency (FEMA) collected more than half of the approximately \$15 billion DHS received from fees and other collections in fiscal year 2014, as shown in figure 1, with the Transportation Security Administration (TSA), U.S. Citizenship and Immigration Services (USCIS), and NPPD programs also collecting in excess of a billion dollars. Appendix I provides details on each of the 38 programs receiving fees and other collections, including general authorities, amounts collected in fiscal year 2014, and descriptions of the programs and purposes for which collections may be used.

**Figure 1: Department of Homeland Security (DHS) Fees and Other Collections by Component for Fiscal Year 2014**



Source: GAO analysis of DHS component data. | GAO-16-443

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## Collections for Over One-Third of Programs Fully Covered Identified Costs, but DHS Has Not Consistently Documented Cost Recovery Processes and Decisions

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### Collections for 14 Programs Fully Covered Identified Costs, and Components Cited Actions to Increase Cost Recovery for 10 Additional Programs

Our analysis of DHS collections and cost data showed that 14 of the 38 programs receiving fees and other collections in fiscal year 2014 collected amounts that fully covered identified program costs.<sup>25</sup> Of the remaining 24 programs, collections for 20 programs partially covered identified program costs, and DHS did not provide cost data, or we determined such data may not be reliable, for 4 programs. For the 14 programs with full cost recovery, collections exceeded identified program costs by approximately \$1.4 billion, and DHS did not rely on annual appropriations to cover any program costs. The \$1.4 billion in collections that exceeded program costs was maintained in several ways, such as unobligated carryover balances, maintained in reserve funds, or deposited to the Treasury in accordance with applicable laws. For the 20 programs that had identified program costs exceeding collections in fiscal year 2014, costs exceeded collections by an estimated \$6 billion. (See app. II.) A fee or collection may be assessed at a rate that either partially or fully recovers costs from the user, or it may be assessed according to some other basis, such as market value of the benefit provided. If a fee or collection is set at a rate that does not achieve full-cost recovery, the difference is generally funded through amounts received in an agency's annual appropriations acts. According to component documentation, annual appropriations covered about 97 percent of the estimated \$6 billion difference, unobligated carryover balances covered about 3 percent of the estimated difference, and transfers of collections from one fee program to another fee program

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<sup>25</sup>For these programs, collections covered or exceeded all identified program costs incurred.

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covered less than 1 percent of the estimated difference in fiscal year 2014.

For the 4 remaining programs, either DHS component officials cited reasons they could not provide cost data or we determined such data may not be reliable. For example, a CBP official stated that CBP's activity based costing model does not capture costs for the Harbor Maintenance Fee, which is administered by another agency, and the Merchandise Processing Fee, from which CBP deposits collections in the general fund to offset CBP's salaries and expenses appropriation.<sup>26</sup> In addition, CBP does not collect cost or volume data at the level of detail needed to fully identify the costs associated with the 78 specific fees included under the Miscellaneous Fees Collections account that collectively constitute less than 1 percent of CBP's total collections as reported in its biennial review. For the fourth remaining program—TSA's Aviation Security Infrastructure Fee (Air Carrier Fee)—TSA reported that the statutes governing the Air Carrier Fee and the Passenger Civil Aviation Security Service Fee specify that collections from these programs be used to offset the authorized

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<sup>26</sup>In response to our request for data on identified program costs for the Harbor Maintenance Fee and Merchandise Processing Fee, CBP provided these data but did not provide supporting documentation. Due to a lack of documentation we were unable to verify the reliability of the data, and thus these data are excluded from our report. We previously reported on the Harbor Maintenance Fee and made recommendations to the Department of Defense's Army Corps of Engineers and CBP to work together to, among other things, develop information on CBP's costs to collect and administer the Harbor Maintenance Trust Fund, for inclusion in the Army Corps' annual report to Congress on the Harbor Maintenance Trust Fund. In addition, we recommended that CBP, among other things, report on the program costs associated with Merchandise Processing Fees in its biennial fee report. CBP has addressed these recommendations. Based on CBP's recent biennial fee report, we found that in fiscal year 2013, collections accounted for approximately .002 percent and 68 percent of costs for these programs, respectively. See appendix I for additional information about these programs. Also see, GAO, *Federal User Fees: Substantive Reviews Needed to Align Port-Related Fees with the Programs They Support*, [GAO-08-321](#) (Washington, D.C.: Feb. 22, 2008).

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costs of providing civil aviation security services and, hence, TSA only tracks the costs of these programs in aggregate.<sup>27</sup>

Of the 20 programs with costs exceeding collections, DHS (or the U.S. Department of Agriculture for one program) initiated actions intended to increase cost recovery for 6 fee programs, comprising about 85 percent of the estimated \$6 billion difference in fiscal year 2014. One of the programs—TSA’s Passenger Civil Aviation Security Service Fee—accounted for nearly 76 percent of the difference. Most recently, DHS submitted legislative proposals with its fiscal year 2017 budget submission to increase fees for three programs that support the provision of civil aviation security services (the Passenger Civil Aviation Security Service Fee), customs-related inspections (the Consolidated Omnibus Budget and Reconciliation Act [COBRA] Fee), and inspection and detention services at air and sea ports of entry (the Immigration Inspection User Fee [IUF]). DHS reported that the proposals to increase collections for these programs would accomplish such things as reduce reliance on annual appropriations, fund additional CBP officers, and contribute to deficit reduction as a portion of collections would go directly to the general fund of the Treasury. Additionally, DHS pursued regulatory adjustments to one program that provides for the registration of commercial vessels (Coast Guard’s Commercial Vessel Documentation Fee) and the Department of Agriculture amended the regulation for one program through which CBP conducts inspectional activities for international arrival of passengers, conveyances, animals, plants, and agricultural goods at port of entry (AQI Fee). In addition, at DHS’s request, OMB authorized a rate adjustment for one program that provides law enforcement services on federally controlled property (FPS’s Basic Security and Oversight Fees). See table 1 for the status of actions taken by DHS or the U.S. Department of Agriculture to increase cost recovery

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<sup>27</sup> See 49 U.S.C. § 44940. TSA reported that in fiscal year 2014, collections from both the Air Carrier Fee and Passenger Civil Aviation Security Service Fee helped to offset the approximately \$6.8 billion in identified program costs. For purposes of this report, these costs are listed in app. I under the Passenger Civil Aviation Security Service Fee. The Bipartisan Budget Act of 2013 repealed TSA’s authority to collect the Air Carrier Fee, beginning October 1, 2014. See Pub. L. No. 113-67, § 601(a), 127 Stat. 1165, 1187 (2013) (repealing 49 U.S.C. § 44940(a)(2)). The President’s fiscal year 2017 budget request proposes to reinstate the Air Carrier Fee.

or contribute to the reduction of the federal deficit for the 6 fee programs as of April 2016.<sup>28</sup>

**Table 1: Summary and Status of Actions Initiated to Increase Cost Recovery for Six Department of Homeland Security (DHS) Programs as of April 2016**

Program	Action initiated
Transportation Security Administration's (TSA) Passenger Civil Aviation Security Service Fee <sup>a</sup>	<p><b>Fiscal year 2014 identified program costs exceeding collections:</b> \$4.7 billion</p> <p><b>Actions Taken:</b> TSA officials reported that since 2002, TSA has submitted at least eight legislative proposals to increase fees for its aviation security programs to address increasing costs. The Bipartisan Budget Act of 2013, enacted December 26, 2013, amended 49 U.S.C. § 44940 by modifying the passenger security fee from a per enplanement structure (\$2.50 per enplanement with a maximum one-way trip fee of \$5.00) to a structure that increased the passenger security fee to a flat \$5.60 per one-way trip, with a maximum of \$11.20 per round trip, effective July 1, 2014. In accordance with the statute, as amended, a specified amount of collections each fiscal year through 2025 will contribute to deficit reduction with the balance offsetting TSA's aviation security costs.</p> <p>The President's fiscal year 2017 budget request and DHS's Fiscal Year 2017 Congressional Budget Justification propose an increase to \$6.60 per one-way trip with a round trip limit of \$13.20 in the second quarter of fiscal year 2017, which is estimated to generate approximately \$489 million in new revenue to further offset TSA's fiscal year 2017 appropriation.</p> <p><b>Status:</b> Proposed increase in 2017 budget has not been enacted.</p>
U.S. Customs and Border Protection's (CBP) Consolidated Omnibus Budget and Reconciliation Act (COBRA) and Express Consignment User Fees <sup>b</sup>	<p><b>Fiscal year 2014 identified program costs exceeding collections:</b> \$185 million</p> <p><b>Actions Taken:</b> The 2016 and 2017 budgets reflected legislative proposals to increase fees for both COBRA and the Express Consignment User Fee, as well as authority to increase fees annually, as needed to adjust for inflation. For example, the legislative proposals described in the 2017 budget would increase the current customs inspection fee by \$2.00, bringing the new fee amount to \$7.50, and increase other COBRA fees by a proportional amount. Moreover, proposed legislation would include an increase of \$0.36 in the Express Consignment User Fee—which is managed within the COBRA fee account and was created to reimburse CBP for costs incurred through the provision of inspection services to express consignment carriers. The 2017 Budget estimated that the proposed increase would generate approximately \$276 million in additional revenue, which would allow CBP to recover more costs associated with customs-related inspections, and reduce wait times by supporting the hiring of up to 840 new CBP officers.</p> <p><b>Status:</b> Changes proposed for fiscal year 2016 were not enacted, and changes proposed for fiscal year 2017 have not been enacted.</p>

<sup>28</sup>Notwithstanding the proposed modifications discussed here and in table 1, the DHS appropriations acts for fiscal years 2015 and 2016 included language prohibiting the use of appropriated funds to pay the salaries and expenses of personnel who prepare or submit certain appropriations language as part of the President's budget submission to Congress for programs under the jurisdiction of the Appropriations Subcommittees on DHS that assumes revenues or reflects a reduction from the previous year due to user fee proposals that have not been enacted into law prior to the submission of the budget unless such budget submission identifies which additional spending reductions should occur in the event the user fees proposals are not enacted prior to the convening of a conference committee for the ensuing fiscal year's appropriations act. See Pub. L. No. 114-113, div. F, § 562, 129 Stat. 2242, 2521-22 (2015); Pub. L. No. 114-4, § 561, 129 Stat. 39, 72 (2015).

Program	Action initiated
CBP's Immigration Inspection User Fee (IUF) <sup>c</sup>	<p><b>Fiscal year 2014 identified program costs exceeding collections:</b> \$230 million</p> <p><b>Actions Taken:</b> The 2016 and 2017 budgets reflected legislative proposals to increase the IUF fee and to remove an exemption on certain populations from being subject to the fee such that the fee would be applied to all sea passengers. In addition, the 2016 legislative proposal sought authority to increase the fees annually as needed to adjust for inflation. Additionally, both budgets also explained that lifting the exemptions will bring fee collections more in line with the costs of conducting sea passenger inspections as well as help modernize and create more efficient and effective business operations in the cruise environment. The 2017 budget proposal estimated that the proposed increase would generate approximately \$270 million in additional fee collections and would fund approximately 1,230 new CBP officers, which will reduce wait times at air and sea ports of entry, especially as cruise volumes are projected to grow in future years.</p> <p><b>Status:</b> Changes proposed for fiscal year 2016 were not enacted, and changes proposed for fiscal year 2017 have not been enacted.</p>
U.S. Department of Agriculture and CBP's Agricultural Quarantine Inspection Fees (AQI) <sup>d</sup>	<p><b>Fiscal year 2014 identified program costs exceeding collections:</b> \$135 million</p> <p><b>Actions Taken:</b> In October 2015, the Animal and Plant Health Inspection Service within the Department of Agriculture amended its regulations to, among other things, improve alignment of AQI fee collections and costs by adding new fee categories, adjusting current fees charged for certain services provided in connection with arrivals at ports in the customs territories of the United States, and adjusting or removing fee caps associated with commercial trucks, vessels, and railcars. In effect as of December 2015, the regulation resulted in CBP receiving an increased amount from the Department of Agriculture to recover costs incurred for the provision of agricultural inspection activities.</p> <p><b>Status:</b> Fee modified through the federal rulemaking process.</p>
National Protection and Programs Directorate/Federal Protective Service's (FPS) Basic Security and Oversight Fees <sup>e</sup>	<p><b>Fiscal year 2014 identified program costs exceeding collections:</b> \$12 million</p> <p><b>Actions Taken:</b> FPS requested that the Office of Management and Budget (OMB) authorize a \$0.04 basic security fee increase from \$0.74 to \$0.78 and a 2 percent adjustment in the oversight fee from 6 percent to 8 percent for fiscal year 2017. DHS reported that these adjustments will sustain essential security operations, and maintain FPS's capacity to rapidly surge personnel to protect federal facilities.</p> <p><b>Status:</b> Fee adjustment authorized by OMB effective beginning in fiscal year 2017.</p>
U.S. Coast Guard's (Coast Guard) Commercial Vessel Documentation Fee <sup>f</sup>	<p><b>Fiscal year 2014 identified program costs exceeding collections:</b> \$2 million</p> <p><b>Actions Taken:</b> In fiscal year 2014, the Coast Guard amended its regulations pertaining to vessel documentation fees by breaking out and separately charging an annual renewal fee that will more accurately reflect the actual costs of providing the annual documentation renewal services. According to Coast Guard officials, the economic downturn in previous fiscal years resulted in decreased collections. For example, in fiscal year 2008, officials said recreation vessel fee collections decreased by \$2 million. In response, the Coast Guard reduced costs by reassigning staff to other positions within the agency, and during this time service delivery slowed and backlogs of requested services grew. According to a Coast Guard official, although fees are now sufficient to cover the cost of operations, the unit has not fully recovered from the loss of personnel, and backlogs in registration applications remain. Over time the Coast Guard expects that the additional fee collections generated from the separate Renewal Fee will allow the agency to recover from personnel losses and decrease processing backlogs.</p> <p><b>Status:</b> Separate renewal fee established through federal rulemaking process.</p>

Source: GAO analysis of Department of Homeland Security data. | GAO-16-443

<sup>c</sup>See Pub. L. No. 113-67, § 601(b), 127 Stat. at 1187 (amending 49 U.S.C. § 44940). The statute identifies approximately \$15.8 billion in fee collections that, over a 12-year period beginning in fiscal year 2014 and continuing through fiscal year 2025, will contribute to deficit reduction. See 49 U.S.C. § 44940(i) (identifying, among other things, the specific amount to be credited as offsetting receipts and deposited in the general fund of the Treasury each fiscal year, 2014 through 2025). In addition, the



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first \$250 million in fees collected each fiscal year are, consistent with existing law, to be deposited in the Aviation Security Capital Fund for use in supporting aviation security related airport capital improvement projects or for other purposes specified in statute. See 49 U.S.C. §§ 44923(h), 44940(i).

<sup>b</sup>See 19 U.S.C. § 58c(a), 19 C.F.R. § 24.22 (COBRA Fees); 19 U.S.C. § 58c(b)(9) (Express Consignment User Fees).

<sup>c</sup>The administration of the IUF program is shared among two DHS components, CBP and U.S. Immigration and Custom Enforcement (ICE). In accordance with a memorandum of understanding between the two components, CBP retains about 83 percent of fee collections and ICE receives the remaining 17 percent.

<sup>d</sup>See 80 Fed. Reg. 66,748 (Oct. 29, 2015).

<sup>e</sup>For the purposes of this report, FPS's Basic Security and Oversight Fees are considered as one program because these collections are used to cover FPS's base operating expenses.

<sup>f</sup>See 79 Fed. Reg. 47,015 (Aug. 12, 2014) (providing, among other things, that while the Coast Guard previously included the cost of providing annual Certificate of Documentation renewals as part of its overhead costs, the fees collected in relation to the costs did not cover operating and overhead costs associated with providing annual renewal services and, therefore, the final rule breaks out and separately charges the annual renewal fee).

DHS components have plans to address cost recovery issues for 4 additional fee programs, according to component officials. Specifically, TSA has plans to amend regulations to increase fees for two fee programs—the Security Threat Assessments for Hazmat Drivers, and the Commercial Aviation and Airport Fee and Other Security Threat Assessment Fee—as it seeks to harmonize the entire set of TSA's vetting and credentialing fees, which includes seven different programs, by fiscal year 2018, according to TSA officials and documentation. In addition, ICE officials told us they plan to submit a legislative proposal to increase spending authority to cover program costs for the Student and Exchange Visitor Program (SEVP) in fiscal year 2017. According to ICE documentation, the proposed increase is necessary to fund the costs of future mission requirements and to invest in modernization initiatives for the program, among other things. Finally, USCIS issued a proposed rule to adjust most fees within the Immigration Examinations Fee Account to address the difference between costs and collections.<sup>29</sup>

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<sup>29</sup>See 81 Fed. Reg. 26,904 (May 4, 2016) (providing the proposed rule would remain open for public comment through July 5, 2016).

**Components Did Not Document Processes and Decisions Used in Managing Differences between Collections and Identified Costs for the Remaining 10 Programs**

DHS component officials did not document the analyses and processes they used to manage differences between identified program costs and collections for the remaining 10 programs receiving fees and other collections or document decisions related to cost recovery. For 6 of the 10 programs, component officials had identified deficiencies related to the difference between program costs and collections and made recommendations to address them in fee studies and biennial fee reviews, but did not document the reasons that they did not pursue the recommended actions. For the remaining 4 programs, component officials said that they did not document reasons for not addressing the differences because they did not consider it required or necessary.<sup>30</sup> Reasons cited for not documenting the processes for managing and making decisions on how to address the estimated \$726 million difference included that some fees and other collections are set in statute and not intended to cover full program cost and that some fees and other collections had other funds available to cover the difference between identified program costs and collections in fiscal year 2014 (see table 2).

**Table 2: Reasons Cited by Department of Homeland Security (DHS) Component Officials for Not Addressing the Difference between Program Costs and Collections in Fiscal Year 2014**

DHS component	Fee program	Difference between identified program costs and collections (millions)	Reasons cited by component officials <sup>a</sup>
U.S. Customs and Border Protection (CBP)	Land Border Inspection Fees <sup>b</sup>	645	The fee collections are not intended to fully recover program costs and are relatively small, comprising less than 1 percent of CBP's total fee collections.
U.S. Coast Guard (Coast Guard)	Merchant Mariner Licensing Documentation Fee <sup>a</sup>	25	The fee is not intended to fully recover program costs
CBP	Immigration Enforcement Fines <sup>b</sup>	23	Amounts collected through the assessment of fines are not intended to fully recover program costs, as the fines are intended to serve as a deterrent and monetary penalty for, among other circumstances, foreign nationals who fail to depart the United States if so ordered and air carriers transporting passengers to the United States that violate elements of immigration law.

<sup>30</sup>For the Fraud Prevention and Detection Program, USCIS documented a reprogramming notification to increase spending authority for the account in fiscal year 2014. However, USCIS did not document to what extent this action would address the difference for this account.

DHS component	Fee program	Difference between identified program costs and collections (millions)	Reasons cited by component officials <sup>a</sup>
Coast Guard	Commercial Vessel Inspection Fee	15	The fee is not intended to fully recover program costs and a statutory cap on the amount that may be charged impacts agency ability to recover the full costs of its services.
U.S. Immigration and Customs Enforcement (ICE)	Breached Bond Detention Fund	8	The receipts from penalties and amounts available to the fund are set in statute and not intended to fully recover program costs.
Coast Guard	Overseas Inspection and Examination Fee	3	The fee is not intended to fully recover program costs and a statutory cap on the amount that may be charged impacts Coast Guard's ability to recover full costs of its services.
CBP	User Fee Facility Fee <sup>b</sup>	2	Unobligated carryover balances from prior year fee collections are sufficient to recover the difference between program costs and collections.
U.S. Citizenship and Immigration Services (USCIS)	Fraud Prevention and Detection Fee	2	USCIS management decision to draw down the available unobligated carryover balance in the account.
National Protection and Programs Directorate/Federal Protective Service	Building-Specific Security	2	Unobligated carryover balances from prior years were sufficient to cover the difference between building-specific security costs and collections.
ICE	Enforcement and Removal Operations Fee	<1	The fee is not intended to fully recover program costs.

Source: GAO analysis of DHS data. | GAO-16-443

Note: The data include review of DHS fee studies and biennial fee reviews and interviews with DHS component officials.

<sup>a</sup>The reasons cited are solely those of DHS component officials and do not reflect further analysis by GAO.

<sup>b</sup>Fee programs for which DHS and its components identified deficiencies and recommended actions to address cost recovery in fee studies or biennial fee reviews.

While we were able to determine—through a review of data, DHS fee studies, biennial fee reviews, and through interviews—why components decided not to take actions to address differences in collections and program costs for these 10 programs, components have not documented the processes, analyses, and resulting decisions in a way that would enable systematic oversight of these decisions or inform management in their decision making. For example, CBP officials stated that the component has an informal decision-making process, with a goal to prioritize action to increase cost recovery for the three fee programs with the highest volume of fee collections across its portfolio of fees and other collections (AQI, COBRA fees, and IUF). However, CBP has not documented its decision-making process, making it difficult for

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stakeholders to determine why action was initiated for some fee and collection programs and not others such as the Land Border Inspection Fee, which is a fee that while small relative to the rest of CBP's fee program portfolio, comprised nearly 10 percent—or \$645 million—of the difference in identified program costs over collections for the overall DHS fee program portfolio in fiscal year 2014.<sup>31</sup>

DHS has emphasized the importance of documenting processes and analysis to inform decision makers and achieve agency goals in the *DHS Fiscal years 2014-2018 Strategic Plan*. Specifically, the strategic plan states that DHS's Unity of Effort initiative to integrate DHS organizations can be achieved through documenting processes and analysis to provide transparency and relevant information to DHS decision makers. Standard practices for project management also support this practice to better ensure that programs are operating efficiently and effectively.<sup>32</sup> In addition, *Standards for Internal Control in the Federal Government* calls for agencies to help ensure transparency and accountability over agency resource decisions by clearly documenting significant events—such as decisions for addressing differences in collections and program costs—in a form readily available for examination.<sup>33</sup>

Component officials said that DHS OCFO had not provided requirements or guidance to document the processes, analyses, and decisions regarding the management of fee and other collection programs. DHS OCFO officials said that they do not provide such guidance because they have delegated fee management and oversight responsibilities to component officials. Without documentation, transparency is lacking regarding whether component decisions not to address differences in program collections and costs are reasonable and appropriate, particularly where DHS or its components have identified and reported deficiencies and recommended actions to address them. Further, DHS OCFO may lack complete information to determine why components

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<sup>31</sup>CBP receives an annual appropriation to cover costs associated with salaries and expenses based on the agency's estimated total collections. Land Border Inspection Fee collections are then used to reimburse CBP's annual appropriation for expenses incurred in providing inspection services at land border points of entry. See 8 U.S.C. § 1356(q).

<sup>32</sup>Project Management Institute, *A Guide to the Project Management Body of Knowledge (PMBOK® Guide)*, Fifth Edition, 2013.

<sup>33</sup>See [GAO/AIMD-00-21.3.1](#).

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initiated actions for some fee programs set in statute, but not others—or to assess how decisions for managing individual component program portfolios align with effective practices for managing the overall DHS portfolio.

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## DHS Processes to Manage Unobligated Carryover Balances Are Intended to Ensure Continuity of Program Operations More Than Efficient Use of Such Balances

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### DHS Components Established and Met Targets for Minimum Unobligated Carryover Balances to Ensure Continuity of Operations for Most Programs

DHS component officials said that they have established targets for a minimum level of unobligated balance to carry over from one fiscal year to the next for most programs. Specifically, these officials said that they established such targets for 21 of 25 programs with unobligated balances carried over to fiscal year 2014 based on historical trends in collections and projected program costs. Component officials stated that for most programs, these targets are set at levels to sustain a program's operations for the first quarter of the succeeding fiscal year; with some components adjusting targets based on differences in administering fees and other collections, spending authority, and statutory limitations. DHS component officials did not identify targets for minimum unobligated carryover balances for the remaining four programs that were funded by collections from insurance premiums or reimbursable agreements. Specifically, FEMA officials said that such targets were not necessary for the National Flood Insurance Fund as FEMA has borrowing authority to cover the difference between the costs of program operations and

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collections from insurance premiums.<sup>34</sup> FPS officials said that they had not established such targets for its three programs—Basic Security and Oversight, Building Specific, and Reimbursable Agency Specific—because officials lacked the data and cost models to do so for these program operations funded by reimbursable agreements between FPS and other federal agencies.<sup>35</sup> DHS OCFO officials stated that responsibility for managing unobligated carryover balances is delegated to components as, according to officials, component management is in the best position to determine the appropriate amount of unobligated carryover balance needed to ensure efficient program operations. Our analysis of DHS OCFO data showed that DHS components carried over unobligated balances totaling \$2.6 billion from fiscal year 2014 to fiscal year 2015 across the 25 fees and other collections.<sup>36</sup> (See app. III.)

Our analysis comparing amounts of unobligated carryover balances to agency criteria showed that components generally met minimum targets set to sustain program operations or relied on other mitigation

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<sup>34</sup>The Biggert-Waters Flood Insurance Reform Act of 2012 (Biggert-Waters Act) instituted provisions to help strengthen the future financial solvency and administrative efficiency of the National Flood Insurance Program (NFIP), which is primarily funded by the National Flood Insurance Fund, to reduce reliance on its authority to borrow funds from the Treasury to cover any differences between the costs of program operations and premium collections. See Pub. L. No. 112-141, div. F, tit. II, subtit. A, 126 Stat. 405, 916 (2012). Among other things, the Biggert-Waters Act required the establishment of a National Flood Insurance Reserve Fund as a separate account, which FEMA established in 2013. See Pub. L. No. 112-141, § 100212, 126 Stat. at 922 (codified as amended at 42 U.S.C. § 4017a). In addition, the Homeowner Flood Insurance Affordability Act of 2014 generally required the imposition and collection of additional premium surcharges for residential properties, nonresidential properties, and secondary residences, to be deposited in the national Flood Insurance Reserve Fund. See Pub. L. No. 113-89, § 8, 128 Stat. 1020, 1023-24 (2014). According to a FEMA official, NFIP is to rely only on the reserve fund to cover any differences between costs and collections before acting on its authority to borrow from the Treasury.

<sup>35</sup>FPS officials reported in June 2016 that work to develop the Activity Based Cost Model and Fee Analysis has provided the baseline data to determine carryover requirements. We discuss FPS management of unobligated carryover balances later in this report.

<sup>36</sup>The remaining 13 of 38 fee programs do not maintain carryover balances for various reasons. For example, the Coast Guard's annual appropriation generally provides for 1-year funding and thus the Coast Guard is not authorized to maintain unobligated carryover balances for its five fee programs. TSA began collecting its TSA's Pre✓™ Application Program fee in fiscal year 2014, and as of November 2015, had not yet accumulated a carryover balance. See appendix III for additional information. Statutes governing the implementation of fee programs may limit the level of agency control in managing unobligated carryover balances. See [GAO-13-820](#).

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strategies.<sup>37</sup> Specifically, our comparison of unobligated carryover balances from fiscal year 2013 and amounts obligated in the first quarter of fiscal year 2014 showed that components carried over unobligated balances sufficient to ensure continuity of operations for 19 of the 21 fee and other collections programs that had targets for minimum unobligated carryover balances in place, and CBP officials cited other mitigation strategies to sustain operations for the remaining two programs. Unobligated carryover balances for CBP's COBRA and Land Border Inspection Fee programs did not cover about 48 percent (approximately \$31 million) and about 70 percent (approximately \$5 million), respectively, of first quarter fiscal year 2014 obligations. However, CBP officials said that they did not rely on unobligated carryover balances to sustain operations for these programs as the reimbursable structure of its COBRA and Land Border Inspection Fees allows CBP to address funding shortages through the use of CBP's annual appropriations, as available.<sup>38</sup>

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#### DHS Components Have Not Established Management Processes to Ensure Efficient Use of Unobligated Carryover Balances

DHS components have taken some steps to manage potential excess unobligated carryover balances, but have not established targets for the maximum level of unobligated carryover balance or a process that uses these targets to ensure efficient use of funds. DHS component officials had identified actions to manage excess unobligated carryover balances for seven programs that have grown—or have the potential to grow beyond levels these officials deemed necessary to ensure efficient program operations.<sup>39</sup> Component officials cited actions underway to

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<sup>37</sup>DHS also assessed the need for components to implement shortfall mitigation strategies for 32 of the 38 DHS programs receiving fees or other collections on the basis of fiscal year 2013 unobligated carryover amounts and first quarter obligations for fiscal year 2014, among other things. On the basis of its findings, DHS concluded in its *DHS User Fees: Fiscal Year 2014 Contingency Plan (Contingency Plan)* that such strategies did not need to be implemented to address shortfalls in revenues for any of its programs due to differences between actual and budgeted collections of user fees. See DHS, *DHS User Fees: Fiscal Year 2014 Contingency Plan*, First Quarter, Fiscal Year 2014 Report to Congress (Washington, D.C.: June 23, 2014).

<sup>38</sup>We have previously reported that the rationale for maintaining a reserve balance as a buffer against a complete program shutdown is not as compelling when a fee-funded program also has access to annual appropriations as Congress has an opportunity to weigh its funding priorities on an annual basis. See [GAO-13-268](#).

<sup>39</sup>The seven programs include: CBP's Electronic System for Travel Authorization, User Fee Facility fee; FPS's Basic Security and Oversight fees, Building-Specific fee, and Reimbursable Agency-Specific fee; ICE's Student and Exchange Visitor Program (SEVP); and USCIS's Immigration Examination Fee Account.

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manage excess unobligated carryover balances by, among other things, redirecting fee resources, adjusting fee rates, and submitting proposals to increase spending limits.<sup>40</sup> However, the processes established by DHS components to manage unobligated carryover balances do not include reasonable and appropriate targets for these excess balances.

We have previously reported that it is important for agencies to assess reserves for reasonableness, set clear goals—such as maximum reserve levels—and clarify how the reserve will be implemented to help ensure agency accountability and transparency.<sup>41</sup> DHS component officials stated that targets for maximum unobligated carryover balances have not been established for their respective programs because the establishment of such targets is complicated by factors component officials deemed beyond the agency’s control. They cited factors such as the level of unobligated balances for some programs being the result of rates and spending limits set in statute and annual fluctuations in program users and associated collections. However, actions have been taken in the past to address some of these factors by submitting legislative proposals to adjust rates and spending limits, and by developing models that project fluctuations in program use and collections. DHS OCFO said that it delegates the responsibility for managing fee and collection programs, including establishing an appropriate range of unobligated carryover balance, to the components as they are best positioned to understand the factors affecting the management of the programs.

We have previously reported that agencies managing fee accounts should have a robust strategy to estimate and manage a carryover balance that assesses how effectively agencies anticipate program needs and ensure the most efficient use of resources. If an agency does not have a robust strategy in place to manage carryover balances, or is unable to adequately explain or support the reported carryover balance,

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<sup>40</sup>For example, CBP and ICE officials documented actions underway to reduce excess carryover balances for the Electronic System for Travel Authorization and SEVP by requesting an increase in spending limits and developing a plan to spend down excess balances on program enhancements in accordance with statutes. However, because the planned actions have not been implemented and maximum targets have not been established for these programs, it is unclear whether these actions will be sufficient to ensure unobligated carryover balances are maintained at levels necessary to ensure efficient program operations.

<sup>41</sup>[GAO-13-820](#).



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USCIS's Immigration  
Examinations Fee Account  
(IEFA)

then a more in-depth review is warranted as balances may rise to unnecessarily high levels, producing potential opportunities for those funds to be used more efficiently elsewhere.<sup>42</sup> Lacking criteria for maximum levels of unobligated carryover that should be in place and documented processes for managing such balances, it is unclear whether steps taken by components to manage excess balances will be sufficient to ensure efficient program operations, as highlighted in the following examples.

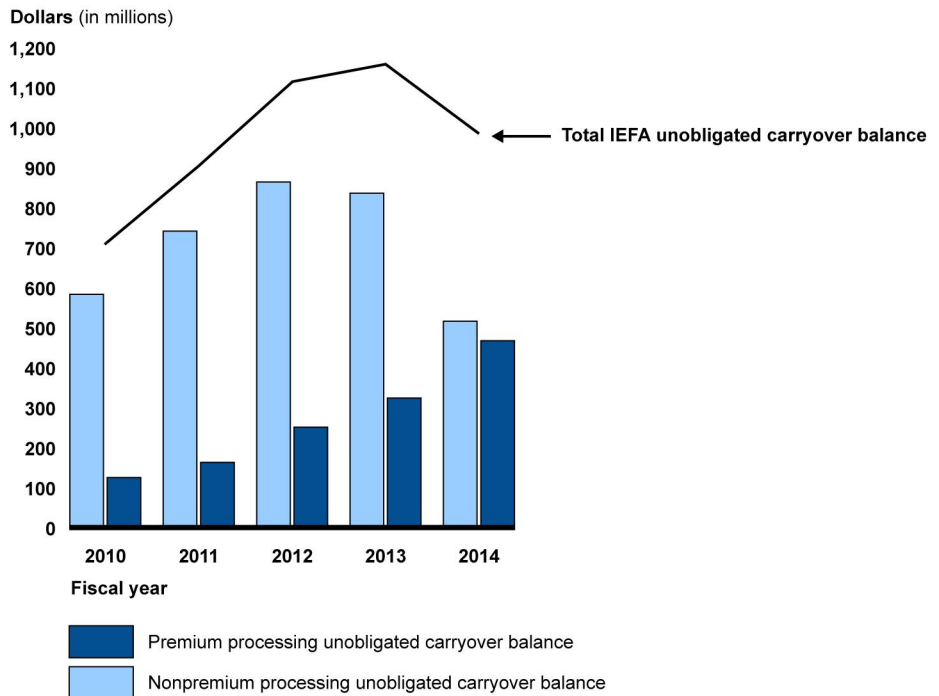
USCIS has not established targets for a maximum unobligated carryover balance to determine the extent that additional actions may be needed to reduce or redirect excess amounts included in the approximately \$983 million in unobligated carryover balance in its IEFA as of the end of fiscal year 2014. As shown in figure 2, the \$983 million balance was comprised of approximately \$516 million derived from nonpremium processing collections used to fund program operations related to the processing of immigration benefit applications while the remaining \$467 million was derived from premium processing collections used primarily to support USCIS' Transformation initiative to move from manual to electronic processing systems.<sup>43</sup>

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<sup>42</sup>[GAO-13-798](#).

<sup>43</sup>The IEFA is comprised of USCIS fee collections from two sources: (1) fees collected for processing applications for immigration benefits (i.e., nonpremium processing fees), which USCIS uses to fund program operations; and (2) premium processing fees collected for expedited review of certain applications, which, until fiscal year 2014, USCIS used exclusively to fund its ongoing Transformation effort. See 8 U.S.C. § 1356(m)-(n), (u).

**Figure 2: Immigration Examinations Fee Account (IEFA) Unobligated Carryover Balances by Fee Type from Fiscal Years 2010 through 2014**



Source: GAO analysis of U.S. Citizenship and Immigration Services data. | GAO-16-443

USCIS has taken actions to manage the growth in the unobligated carryover balance for the nonpremium processing fee, by using it to fund the increasing difference between identified program costs and fee collections.<sup>44</sup> These actions have resulted in nonpremium balances declining to levels below the minimum target level of \$750 million identified by USCIS to mitigate potential shortfalls in fee collections to cover program costs, as shown in figure 2. USCIS officials reported that they are in the process of developing an analytical methodology for determining an appropriate maximum level of carryover for any year given the cash flow, deferred revenue, and reserve fund considerations, but stated that they have been challenged to identify a maximum level because program funding requirements fluctuate with levels of pending

<sup>44</sup>In addition, USCIS also attributed the decrease in the nonpremium balance to the growth in base costs and forgone revenue due to fee waivers, both of which have increased since USCIS last adjusted fees in November 2010.

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caseload. In addition, USCIS issued a proposed rule in May 2016 to address the difference between costs and collections within IEFA, including most IEFA nonpremium fees.

It is unclear, however, the extent that USCIS action will address the increasing growth of the premium processing side of IEFA. USCIS estimated that the unobligated carryover balance for the premium processing fee could continue to grow to \$1.1 billion by fiscal year 2020, as fee collections are expected to exceed Transformation initiative funding requirements.<sup>45</sup> Therefore, USCIS reported that it has begun to reduce the growing balance by expanding the use of these premium fee collections to fund onetime infrastructure improvements that support adjudication services other than Transformation, such as its Financial Systems Modernization project. USCIS estimated in its spending plan that expanding the use of premium processing fee collections will result in an unobligated carryover balance for premium processing of about \$341 million by the end of fiscal year 2020. However, USCIS has not established a maximum target for the appropriate amount of unobligated carryover balance that should be maintained consistent with actions that could be taken under the spending plan and that ensure efficient use of funds. According to USCIS officials, the agency is currently implementing its fiscal year 2016 operating plan that discusses planned uses of premium processing collections, and is based on its assessment of projected collections, planned Transformation program requirements, and other appropriate infrastructure requirements. However, USCIS has not identified maximum targets for the unobligated carryover balance needed for both nonpremium processing and premium fees within the IEFA. Without such targets, USCIS may not be able to determine the extent that expanding uses for premium processing fee collections is sufficient to achieve appropriate balance within the premium processing program.

#### NPPD/FPS's Collection Programs

NPPD's FPS has not established targets to determine the extent that the approximately \$193 million of unobligated carryover balance as of fiscal year end 2014 was appropriate to fund operations across its three

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<sup>45</sup>Specifically, USCIS projects premium processing fee revenue will exceed Transformation funding requirements from fiscal years 2015 through 2020, with planned general expenditures levels below \$200 million annually from fiscal years 2015 and 2018 and from between \$60 and \$70 million annually from fiscal year 2019 and 2020.

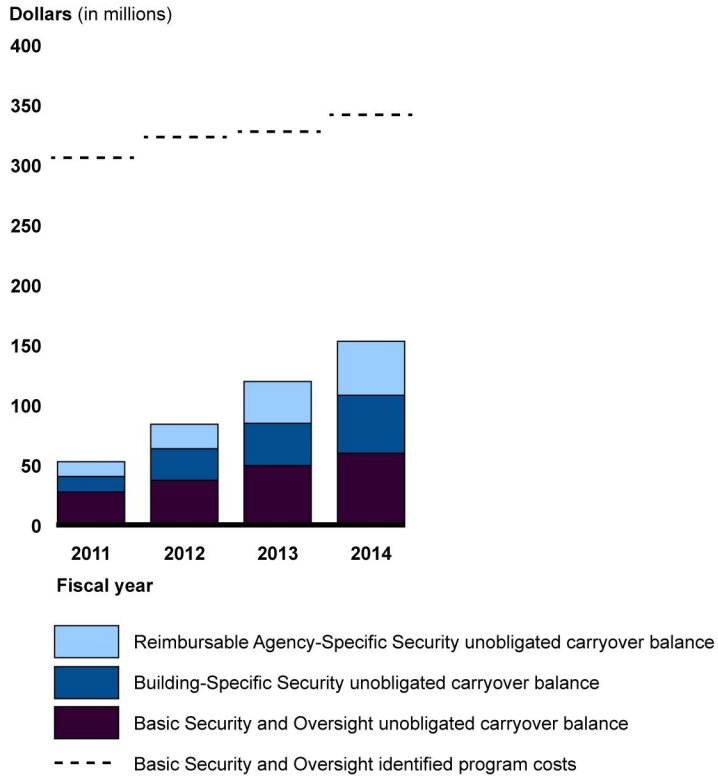
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collection programs.<sup>46</sup> Our analysis of FPS data showed that the unobligated carryover balance for the Basic Security and Oversight Fees increased at a greater rate than identified program costs for each of the three collection programs from fiscal year 2011 through 2014, rising from a low of about 17 percent of identified program costs in fiscal year 2011 to a high of about 45 percent in fiscal year 2014. (See fig. 3.)

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<sup>46</sup>FPS operations are fully funded by offsetting collections from customer agencies receiving FPS services for basic security and oversight, security for specific buildings and facilities, and security for specific tenants in facilities. All FPS security collections are available to FPS, without fiscal year limitation, for necessary expenses related to the protection of federally owned and leased buildings and for FPS operations. See, e.g., Pub. L. No. 114-113, div. F, 129 Stat. at 2504. FPS's current fee structure includes three fees: (1) Basic Security and Oversight, which covers a wide range of security and law enforcement services including general law enforcement, building security assessments, and criminal investigations; (2) Building-Specific, which covers security costs for an entire facility; and (3) Reimbursable Agency-Specific, which covers costs to secure a specific tenant within a facility.

**Figure 3: Unobligated Carryover Balances from Federal Protective Service's (FPS) Fee Programs Available to Cover Identified Program Costs Incurred for the Basic Security and Oversight Program, Fiscal Years 2011 through 2014**



Source: GAO analysis of FPS data. | GAO-16-443

Note: Unobligated carryover balance amounts are as of the beginning of the fiscal year, while identified program costs are as of the end of the fiscal year.

According to FPS officials, the increase in unobligated carryover balances across its collection programs can be attributed to hiring delays and FPS's decision to maintain spending at fiscal year 2011 levels to help fund enhance security operations and reserve requirements, such as surge-related activities and information technology investments that are

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going through the acquisition process.<sup>47</sup> FPS reported in its *Congressional Budget Justification for Fiscal Year 2017* that it is working on a sustainable revenue model whereby collections from other agency customers sustain the cost requirements of the same year, as reliance on unobligated carryover balances and recoveries is a short-term fix and not a sustainable long-term solution.<sup>48</sup> In July 2015, FPS informed its customer agencies that it will increase the rates for its collection programs in fiscal year 2017 to, among other things, maintain its capacity to rapidly surge personnel to protect federal facilities during periods of heightened vulnerability.<sup>49</sup>

FPS has not determined at what point its unobligated carryover balance would be insufficient or continue to be in excess of need to address the projected growth in cost for program operations, surge activities, and long-term capital investment decisions. FPS officials said they are evaluating the recommendation made by an independent audit firm to maintain a minimum of 1 to 2 month operating reserve based on the firm's analysis of FPS's average cash flow; however, FPS has yet to determine whether this recommendation for the size of the program's operating reserve is appropriate to meet its future operating needs given recent increases in the agency's surge operations. Without evaluating the impact of the fee increase on its fee balances and establishing targets for both

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<sup>47</sup>FPS reported that its authority to recover the cost of its security operations at facilities allows the component to use unobligated carryover balances associated with all three of its fee programs—Basic Security and Oversight, Building Specific, and Reimbursable Agency-Specific—to help fund FPS operating expenses for which fees are not directly charged, such as potential liabilities, replacement of equipment and infrastructure, and investment in new and improved systems.

<sup>48</sup>Specifically, FPS reported that it relies on unobligated carryover balances to address differences between program costs and collections resulting from increases in base program operations—such as increased personnel costs resulting from surge activities, life-cycle replacement costs for information technology systems, and the costs of technical countermeasures (i.e., security equipment).

<sup>49</sup>According to FPS's July 21, 2015, Memorandum to Customer Agencies, there will be a \$0.04 increase in the rate charged for basic security, increasing the total rate from \$0.74 to \$0.78, and a 2 percent adjustment in the rate charged for oversight, increasing from 6 percent to 8 percent, effective for fiscal year 2017. These rates were last adjusted in 2012. FPS officials said that while increased collections will be used to fund an additional 121 personnel to perform surge-related activities through its Rapid Protection Force and is estimated to reduce reliance on unobligated carryover balances by approximately \$10 million in fiscal year 2017, FPS will continue to rely on unobligated carryover balances to fund new and unanticipated expenses.

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## CBP's User Fee Facility Program

minimum and maximum unobligated carryover balances, stakeholders lack reasonable assurance that FPS is managing its resources to ensure that its carryover balances do not grow beyond levels necessary ensure efficient program operations, or fall below levels necessary to ensure continuity of program operations, meet reserve requirements for potential surge operations, and make effective capital investment decisions.

CBP has not established a target for the maximum unobligated carryover balance necessary for its User Fee Facility program or taken action necessary to reduce the approximately \$14 million balance as of fiscal year end 2014 within the collection program that, while relatively small, consistently constituted over 100 percent of the program's operational costs each year from fiscal years 2010 through 2014.<sup>50</sup> Our analysis of CBP data showed that the unobligated carryover balance amounted to about 160 percent of total identified program costs in fiscal year 2014, exceeding these program costs by approximately \$7 million. Our analysis further showed that unobligated carryover balances within this fee program ranged from a high of over \$17 million in fiscal year 2013 to a low of about \$15 million in fiscal year 2012.<sup>51</sup> (See fig. 4.)

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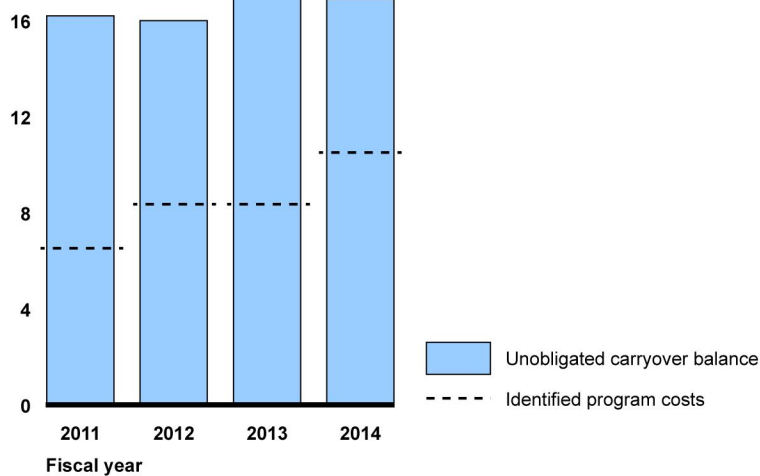
<sup>50</sup>The User Fee Facility Program funds CBP customs inspection services performed at participating small airports in accordance with rates set through memorandums of agreement (MOA) signed by the agency and the concerned airport authority, which must be in an amount equal to the expenses incurred in providing the customs services rendered and, therefore, may be adjusted as costs and requirements change. See 19 U.S.C. § 58b(b).

<sup>51</sup>CBP reported that collections can vary drastically from year to year due to late payments from user fee facilities.

**Figure 4: Unobligated Carryover Balances from U.S. Customs and Border Protection's (CBP) User Fee Facility Program Available to Cover Identified Program Costs Incurred, Fiscal Years 2011 through 2014**

Dollars (in millions)

20



Source: GAO analysis of CBP data. | GAO-16-443

Note: Unobligated carryover balance amounts are as of the beginning of the fiscal year, while identified program costs are as of the end of the fiscal year. Identified program costs for fiscal years 2011 and 2012 do not include indirect costs.

CBP officials cited several reasons for the excess unobligated carryover balance within the User Fee Facility program. These reasons were that CBP did not request reimbursement for the full costs of providing customs services and outdated rates in customer memorandums of agreement (MOA),<sup>52</sup> funds may not have been transferred from the Treasury account holding program collections to the CBP program accounts incurring

<sup>52</sup>CBP officials stated that until recently, CBP did not have the system capacity to bill actual direct and indirect costs incurred at each User Fee Facility and that the rate charged to small airports may likely be inconsistent with the grade of the officer providing customs services. Beginning in fiscal year 2013, CBP began charging user fee facilities 15 percent for indirect costs per OMB recommendation for agencies that are unable to identify indirect costs.



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indirect costs for customs services,<sup>53</sup> and statutory limitations on how CBP may use User Fee Facility collections.<sup>54</sup>

CBP has taken some action to address these causes of excess unobligated carryover balances in the program. In 2012, CBP began piloting a new module within its financial system that captures actual salary benefit and overtime costs for each user fee airport facility and bills actual expenses for reimbursement from the program on a monthly basis. Moreover, CBP officials said that CBP is in the process of identifying how existing policy, regulations, and MOAs with small airports need to be modified to implement the new billing module.<sup>55</sup> CBP officials stated that, once fully implemented, the pilot system to bill based on actual expenses, as well as CBP efforts to revise MOAs to adjust charges for about 6 of the 50 facilities served under the User Fee Facility program, may reduce unobligated carryover balance over time, but did not document analysis showing a target balance or timeframe for completed action.

CBP also has not taken action to assess other reasons for the excess unobligated carryover balance in the User Fee Facility program, including whether rates charged to facilities are too high and should be reduced. CBP has not commissioned a comprehensive study to analyze small airport operations, costs, and activities to determine how to better align the fee with cost, as recommended in its most recent biennial fee review. Rather, CBP officials stated that CBP will primarily rely on its new billing system to manage the excess carryover balance associated with the program. Moreover, CBP has not identified an appropriate maximum level of unobligated carryover, studied the potential impacts of its efforts to address the causes of the excess unobligated carryover balance, or

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<sup>53</sup>According to a CBP Budget Directorate official, indirect costs may not have been moved from the User Fee Facility account and applied to administrative accounts, thereby inflating the program's unobligated carryover balance.

<sup>54</sup>Fees collected through the User Fee Facility program are available only for expenses incurred in providing customs services at a participating airport, including expenses incurred for the salaries and expenses of individuals employed to provide such services, and not for any other purpose. See 19 U.S.C. § 58b(e).

<sup>55</sup>User Fee Facility charges are based on actual costs incurred by CBP for each officer assigned to the airport on a full-time basis and the associated travel, transportation, and training costs, as well as per diem and cost-of-living allowances. According to CBP, the MOAs include provisions for payment of a flat initial start-up fee and an annual recurring fee per officer position of \$140,874 for the first year and \$123,438 for subsequent years.

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determined the need to take further action to ensure proper fee alignment and efficient use of funds. Without evaluating the impact of actions taken to manage excess unobligated carryover balances, or whether additional actions are needed to align the fee rate with costs charged to the program, stakeholders lack reasonable assurance that CBP is managing unobligated carryover balances to ensure they do not continue to rise beyond levels necessary for efficient program operations.

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## DHS Does Not Ensure Components Conduct Program Reviews and Does Not Monitor Components' Actions to Address Identified Management and Operational Deficiencies

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### DHS Does Not Provide Oversight to Ensure That All Components Review and Report on Programs Receiving Fees and Other Collections

DHS OCFO distributes instructions to components for submitting the results of biennial reviews of their fee and other collections programs to DHS, but does not provide oversight to ensure that components conduct these reviews. Pursuant to the CFO Act and consistent with implementing guidance in OMB Circular A-25, an agency's CFO is to review, on a biennial basis, the fees and other charges imposed by the agency for services and things of value it provides and make recommendations on revising the charges to reflect costs incurred in providing such services and things of value.<sup>56</sup> In addition, federal programs are subject to *Standards for Internal Control in the Federal Government* which states that agencies should ensure that ongoing monitoring occurs during the

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<sup>56</sup>See 31 U.S.C. § 902(a)(8); OMB Circular No. A-25, § 8(e).

course of normal operations to help evaluate program effectiveness.<sup>57</sup> Our review of DHS and component records showed that while four components submitted results of reviews conducted for each of their respective fee and other collections programs, three components did not, as shown in table 3. Specifically, CBP, NPPD, TSA, and the Coast Guard reviewed and reported results for all of their collective 30 programs, but FEMA, ICE, and USCIS did not review 6 of the remaining 8 programs.

**Table 3: Reviews Conducted by Department of Homeland Security (DHS) Components since Fiscal Year 2012**

Component	Total number of fee and other collections programs	Number of fee and other collections programs reviewed
U.S. Customs and Border Protection	13	13
Federal Emergency Management Agency	2	0
U.S. Immigration and Customs Enforcement	3	1
National Protection and Programs Directorate	3	3
Transportation Security Administration	9	9
U.S. Coast Guard	5	5
U.S. Citizenship and Immigration Services	3	1
<b>Total</b>	<b>38</b>	<b>32</b>

Source: GAO analysis of DHS data. | GAO-16-443

Note: Data are from reviews conducted by DHS components.

FEMA, ICE, and USCIS officials cited three reasons for not conducting biennial reviews for their programs. Specifically, these officials stated that biennial review and reporting requirements in the CFO Act do not apply to programs with rates set in statute, to accounts that are too small relative

<sup>57</sup>[GAO/AIMD-00-21.3.1.](#)

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to other programs to warrant resources spent on a review, and to programs that are not structured as traditional user fees.<sup>58</sup>

However, we have previously reported that consistent with OMB Circular A-25 and statements of OMB staff, agencies should review and report on any government service provided for which an agency receives revenue in accordance with the CFO Act, regardless of the relative size of the fee or whether rates are set in statute or by the agency through regulation.<sup>59</sup> Further, some DHS components—such as CBP, have conducted biennial reviews for programs receiving collections that are not traditionally considered fees or other charges—such as Immigration Enforcement Fines. Such actions help ensure that decision makers have complete information about program costs and activities. For example, we have reported that the CFO Act's biennial review provisions provide decision makers with comprehensive information necessary to support robust deliberations about fee financing.<sup>60</sup>

Absent oversight to ensure that components are conducting regular comprehensive reviews, agencies and Congress may not be aware of opportunities to, as appropriate, improve fee design and management processes and that, if left unaddressed, could contribute to inefficient use

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<sup>58</sup>More specifically, ICE officials stated that they do not conduct biennial fee reviews for the Enforcement and Removal Operations fee program, and USCIS officials said they do not conduct reviews for the H1-B Nonimmigrant Petitioner program and Fraud Prevention and Detection program because they do not believe the CFO Act's review and reporting requirements apply to programs with rates set in statute and because these programs are small relative to other fee programs. In addition, USCIS officials said they do not consider the latter two programs to be traditional user fee programs subject to the CFO Act's review and reporting requirements. ICE officials also stated that they did not review the Breached Bond Detention Fund, and FEMA officials said they did not review the Radiological Emergency Preparedness Program and the National Flood Insurance Fund, because they do not consider these programs to be traditional user fee programs subject to the CFO Act's review and reporting requirements.

<sup>59</sup>GAO, *2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue*, [GAO-12-342SP](#) (Washington, D.C.: Feb. 28, 2010).

<sup>60</sup>We have previously reported that the general benefits of user fee reviews are that they: (1) help to ensure that Congress, stakeholders, and agencies have complete information about changing costs and whether a fee needs to be changed; (2) help agencies determine if they are prepared for any spikes or surges in demand; (3) help agencies and fee payers avoid a sudden increase in fee rates due to misalignment between costs and collections; (4) provide opportunities for stakeholder input; and (5) promote understanding and acceptance of the fee. See [GAO-11-492](#).

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of government resources. For example, TSA officials stated that information from biennial fee reviews of the Passenger Civil Aviation Security fee—a fee with a rate set in statute—enabled TSA to inform congressional stakeholders of an increasing gap between fee collections and aviation security program costs.<sup>61</sup> Information derived from biennial fee reviews may similarly inform congressional stakeholders and provide similar benefits to fee programs, regardless of whether the rate charged is set in statute. In addition, Coast Guard officials stated that its biennial fee reviews of the Commercial Vessel Documentation Fee program—a relatively small fee program collecting fees averaging about \$2 million annually from fiscal years 2010 through 2014—are important because the Coast Guard is generally authorized to maintain funds for obligation only during the fiscal year in which they become available (1-year authority) and thus cannot carryover unobligated balances into subsequent fiscal years. As such, biennial fee reviews help the Coast Guard to ensure fee collections are sufficient to cover program costs, and provide information to relevant stakeholders about the need to adjust fee rates.

Furthermore, we have previously concluded that a regular process of reviewing fee programs could reveal and help address challenges identified by agencies in a more timely and systematic manner.<sup>62</sup> For example, FEMA reported that the Radiological Emergency Preparedness Program, a program for which FEMA does not conduct biennial fee reviews because it does not consider the program to be a traditional user fee, faced challenges accurately estimating costs, resulting in FEMA refunding nearly \$14 million to Radiological Emergency Preparedness

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<sup>61</sup>Specifically, TSA officials explained that, consistent with OMB Circular A-25, TSA began submitting legislative proposals in fiscal year 2010 to adjust the statutorily-set fee rate to cover a greater portion of the costs of TSA's aviation security activities. The Bipartisan Budget Act of 2013, enacted in December 2013 increased and restructured the passenger security fee but also provided that a set amount of the fee collected, increasing each fiscal year through 2025 (as amended), will be designated for deficit reduction and will not be available to offset aviation security costs). See Pub. L. No. 113-67, § 607, 127 Stat. at 1187-88 (amending 49 U.S.C. § 44940).

<sup>62</sup>GAO, *Federal User Fees: Additional Analyses and Timely Reviews Could Improve Immigration and Naturalization User Fee Design and USCIS Operations*, [GAO-09-180](#) (Washington, D.C.: Jan. 23, 2009).

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Program users from fiscal year 2013 through 2015.<sup>63</sup> A regular review may have helped the agency identify the issue sooner and avoid having to issue refunds. Moreover, without regular comprehensive reviews, agencies and Congress may miss opportunities to improve fee design and management processes which, if left unaddressed, could contribute to inefficient use of government resources.

With regard to reporting, our review of DHS's CFO Act report—*The Department of Homeland Security's Agency Financial Report for Fiscal Year 2014 (Agency Financial Report)*—showed that DHS OCFO did not report the extent to which all components are conducting such reviews or any proposals to address management and operational deficiencies identified by components, such as those relating to the adjustment of fee and other collection rates. OMB Circular A-25 provides that agencies are to discuss the results of biennial fee reviews and any resulting proposals, such as adjustments to fee rates, in the annual report submitted pursuant to the CFO Act.<sup>64</sup> The *Agency Financial Report* did not include this information, and instead included a listing of DHS components and some of the programs they administer that receive fees and other collections. DHS OCFO officials stated that more detailed information on components' biennial fee reviews was included in the quarterly user fee reports DHS submitted to Congress and referenced in the *Agency Financial Report*. In addition, DHS OCFO officials stated that duplicating this information in the *Agency Financial Report* would not have provided additional useful information to decision makers. However, the quarterly reports did not include information on any proposals to address

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<sup>63</sup>FEMA reported in its *Congressional Budget Justification for Fiscal Year 2016* that, in fiscal year 2013, the Radiological Emergency Preparedness Program undertook a cost study to better refine its cost models. FEMA further reported that in fiscal year 2014, it refunded \$5.1 million of carryover user fee collections to nuclear power station licensees as a result of Radiological Emergency Preparedness Program's increased ability to produce transparent cost estimates, and that in fiscal year 2015 it will refund \$3.7 million of carryover user fee collections to industry. Furthermore, FEMA also reported that automating the model should lead to more accurate price estimates, and consequently to cost-efficient bills to industry and smaller future refunds.

<sup>64</sup>See OMB Circular No. A-25, § 8(e); 31 U.S.C. § 902(a)(6) (requiring each agency's CFO to submit an annual report to the agency head and director of OMB). See also OMB Circular No. A-11, § 51.13 (directing agencies, as they formulate their annual budget submissions, to refer to OMB Circular A-25 for information and requirements regarding user charges). We have previously reported that this discussion may be included in agency performance and accountability reports. See [GAO-08-386SP](#).

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management and operational deficiencies, and as of July 2015, DHS was no longer under direction to submit quarterly user fee reports.<sup>65</sup>

Additionally, our review showed that DHS did not discuss in any of these reports the six programs receiving fees and other collections for which reviews were not conducted. Our review of *The Agency Financial Report* for fiscal year 2015 also found that the report did not include proposals to address management and operational deficiencies or other information from reviews of these programs. DHS OCFO officials stated that the department has not determined how it will report on the results of biennial fee reviews and any resulting proposals to adjust fee and other collection rates in the future, and needs to seek guidance from OMB on how the department should report on biennial fee reviews in future agency financial reports. Without transparency of fee program operations provided in the *Agency Financial Report*, or by other means, Congress and other stakeholders lack reasonable assurance that DHS OCFO has complete information on management and operational deficiencies to ensure components are making informed decisions regarding the actions needed to address such deficiencies.

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### DHS Does Not Monitor Component Actions to Address Identified Program Management and Operational Deficiencies

DHS OCFO has not established a process to actively monitor the status of components' efforts to address the management and operational deficiencies that have been identified across programs, such as those deficiencies relating to cost recovery and excess unobligated carryover balances. According to DHS OCFO officials, the oversight and monitoring of actions to address identified deficiencies is delegated to components because components are responsible for administering programs and are best positioned to understand the statutes governing the programs as well as the factors—such as changing economic conditions—affecting program implementation.

However, we found that while components have recommended actions to address identified management and operational deficiencies, some components have not taken action to implement these recommended actions or otherwise addressed longstanding deficiencies. Specifically, our analysis of biennial fee reviews conducted by components since fiscal

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<sup>65</sup>See S. Rpt. No. 113-198, at 20 (June 16, 2014) (explaining that the Committee no longer requires DHS to submit quarterly updates on user fees as originally directed in the conference report accompanying Public Law 111-83).

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year 2014 showed that components recommended 48 actions for 20 identified deficiencies across 18 programs receiving fees and other collections. (See app. IV.) Components most often identified deficiencies related to aligning fee rates to recover a greater share of program costs. Specifically, 12 of the 20 deficiencies related to recovering greater shares of program cost through collections by adjusting rates and spending caps or establishing charges for additional services. Another 5 deficiencies involved existing rates that may not distribute costs among users in an equitable manner. Two deficiencies identified challenges related to managing unobligated carryover balances. The remaining deficiency identified a difference in program collections and costs that could be addressed by recognizing other revenue sources, such as available unobligated carryover balances. However, components have not taken action to address 9 of these 20 deficiencies. For example, components have not addressed 5 of the deficiencies related to cost recovery, resulting in a difference between identified program costs and collections of around \$700 million for the related programs since these deficiencies were identified in fiscal year 2014.<sup>66</sup> If left unaddressed, these deficiencies may lead to management and operational challenges, such as the inequitable distribution and inefficient use of funds.

DHS OCFO identified the need for greater oversight of the DHS fee portfolio through its *Winter Study*. Specifically, the *Winter Study* found considerable variation across components relating to the development and budgeting of user fees and other collections, and recommended as first steps towards greater standardization and coordination (1) the establishment of a framework for developing fee proposals, and (2) a department-wide fee governance council comprising Chief Financial Officers from components responsible for collecting fees and other collections as well as representatives from DHS OCFO and DHS Office of General Counsel. In January 2016, DHS formally established the DHS Fee Governance Council for the purpose of advising and assisting the DHS OCFO in establishing a consistent program for the financial management functions, activities, and policies relating to fees across

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<sup>66</sup>Specifically, the five fee and other collections programs were CBP's Immigration Enforcement Fines and Land Border Inspection Fees, and the Coast Guard's Commercial Vessel Inspection Fee, Merchant Mariner Licensing Documentation Fee, and Overseas Inspection and Examination Fee. CBP's Land Border Inspection Fee accounted for about 90 percent of the difference between identified program costs and collections in fiscal year 2014.



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DHS. Moreover, in accordance with its charter, the Fee Governance Council is to establish a governance and oversight structure for fees and other collections across DHS, developing policy guidance on issues such as, how fees and other collections are established, updated, or changed, and how regular fee reviews are conducted.

While the establishment of a department-wide fee council is a positive step, DHS has not determined whether DHS OCFO will use this venue to issue guidance to components or provide oversight to ensure appropriate actions are taken to address management and operational deficiencies, such as those relating to cost recovery and excess carryover. *Standards for Internal Control in the Federal Government* state that policies and procedures should provide reasonable assurance that ongoing monitoring and evaluation are institutionalized in an agency's operations, and require that findings from audits and other reviews are promptly resolved.<sup>67</sup> Further we have previously reported that evaluating and reporting on results is a key practice that can assist interagency efforts in identifying areas for policy and operational improvement.<sup>68</sup> Without oversight of components' decision making processes—including tracking and reporting on the status of recommendations to address deficiencies—DHS cannot provide stakeholders with reasonable assurance that the agency is actively managing its portfolio of fees and other collections to mitigate the impact of management and operational deficiencies. Enhancing DHS's oversight of its component agencies' actions to address identified deficiencies could ensure that deficiencies are addressed in a timely manner and help DHS determine whether widespread management challenges are causing deficiencies to not be addressed and whether additional guidance should be provided to address these challenges.

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## Conclusions

The uncertain budgetary environment highlight the need for DHS and its components to effectively manage, use, and oversee the approximately \$15 billion in collections by DHS components across 38 homeland security-related programs. DHS and components have taken steps for some programs to strengthen management and oversight, such as by

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<sup>67</sup>[GAO/AIMD-00-21.3.1](#).

<sup>68</sup>GAO, *Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies*, [GAO-06-15](#) (Washington, D.C.: Oct. 21, 2005).

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adjusting fees and other collections to cover a higher proportion of identified program costs, establishing some targets for minimum levels of unobligated carryover balances, conducting fee reviews, and establishing a DHS Fee Governance Council. However, opportunities remain for DHS OCFO and components to improve the transparency and accountability for management decisions and processes across all programs in the DHS portfolio. For example, ensuring that for all fee and other collections programs DHS OCFO and components are (1) documenting decisions about whether or not to take action, as appropriate, to address differences between program costs and collections; (2) establishing targets for appropriate minimum and maximum unobligated carryover balances; (3) conducting fee reviews; and (4) tracking and reporting the status of recommended actions would allow the DHS Fee Governance Council, the DHS OCFO, or others to provide oversight and ensure that management practices and decisions are appropriate and effective to ensure continuity of operations and equity in amounts charged to users of program services. Further, regularly reviewing and reporting the results of fee and other collections programs to agency heads, OMB, and Congress could also enhance information available to the annual budget process and better inform decisions to adjust fees or aspects of program operations through changes in legislation or regulation.

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## Recommendations for Executive Action

To ensure effective management and oversight of DHS programs receiving fees and other collections, we recommend that the Secretary of Homeland Security direct the DHS Chief Financial Officer to use some means, such as the DHS Fee Governance Council, to ensure that component management take the following actions for each fee and other collections program that they administer:

- document the processes and analyses for assessing and, as appropriate, for managing the difference between program costs and collections and document resulting decisions;
- establish processes for managing unobligated carryover balances, to include targets for minimum and maximum balances for programs that lack such processes and targets;
- conduct reviews to identify any management and operational deficiencies; and
- take action to track and report on management and operational deficiencies—including reasons supporting any decisions to not pursue recommended actions—identified in fee reviews or through other means.

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Further we recommend that the Secretary of Homeland Security direct the DHS Chief Financial Officer to discuss the results of biennial fee reviews and any resultant proposals in the annual Agency Financial Report, annual performance report, or other reporting mechanism, consistent with the CFO Act and OMB Circular A-25.

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## Agency Comments and Our Evaluation

We provided a draft of this report to DHS for review and comment. DHS provided written comments, which are reproduced in appendix V. In its comments, DHS concurred with the five recommendations and described actions under way or planned to address them. DHS also provided technical comments, which we incorporated as appropriate.

DHS stated that through the DHS Fee Governance Council, chaired by the Deputy DHS Chief Financial Officer, guidance will be developed and disseminated to (1) document the processes and analyses for assessing and, as appropriate, for managing the difference between program costs and collections and document resulting decisions; (2) establish processes for managing unobligated carryover balances, to include targets for minimum and maximum balances for programs that lack such processes and targets; (3) conduct reviews to identify any management and operational deficiencies; and (4) take action to track and report on management and operational deficiencies—including reasons supporting any decisions to not pursue recommended actions—identified in fee reviews or through other means. DHS estimated that these actions would be completed by July 31, 2017. Once guidance is developed and disseminated to components, components take appropriate actions to implement this guidance, and tools are developed to measure and assess changes in fee balances, these actions should address the intent of our recommendations to ensure effective management of DHS fee programs.

In regard to our second recommendation, however, DHS stated that GAO's characterization of DHS components' planning processes for managing carryover balances is not entirely accurate. Specifically, DHS stated that GAO characterizes these processes as being too heavily focused on ensuring continuity of program operations rather than efficient use of funds, when in fact components actively manage carryover balances to ensure effective use of program funds. DHS cited as an example USCIS' fee account annual operating plan development process that is used to guide resource deployment to best achieve mission critical goals.

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Our report does not state that DHS components were too heavily focused on ensuring continuity of operations, only that components placed more focus in this area than managing efficient use of funds. In general, we found that while components had identified minimum balances for most programs and mitigation strategies for when balances may fall below these minimums, components had not identified maximum balances and mitigation strategies for when balances grow above these maximums. DHS stated that USCIS is taking additional actions to address our second recommendation by prototyping new tools to measure and assess fee account carryover balances, cash flow, and changes to fee balances. DHS estimated that this action would be completed by September 30, 2016.

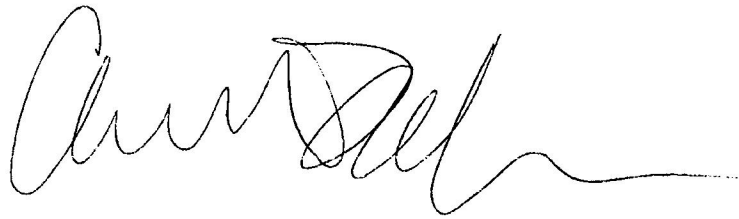
Regarding our fifth recommendation, that the DHS Chief Financial Officer discuss the results of biennial fee reviews and any resultant proposals in the annual *Agency Financial Report*, annual performance report, or other reporting mechanism, consistent with the CFO Act and OMB Circular A-25, DHS concurred, stating that DHS is in the process of developing a consolidated tracking system for the results of biennial fee reviews and any resultant proposals. In addition, DHS stated that DHS OCFO's Financial Management Division will ensure that the results of biennial fee reviews and any resultant proposals are discussed in the annual DHS Agency Financial Report. DHS estimated that these actions would be completed by July 31, 2017. These actions should address the intent of the recommendation and better position DHS to ensure the effective oversight of programs receiving fees and other collections.

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We are sending copies of this report to the Secretary of Homeland Security and the Office of Management and Budget, and appropriate congressional committees. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

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If you or your staff have any questions concerning this report, please contact me at (213) 830-1011 or [vonaha@gao.gov](mailto:vonaha@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made significant contributions to this report are listed in appendix IV.

A handwritten signature in black ink, appearing to read 'Andrew Von Ah', with a long horizontal flourish extending to the right.

Andrew Von Ah  
Acting Director, Homeland Security and Justice

# Appendix I: Department of Homeland Security (DHS) Programs Receiving Fees and Other Collections in Fiscal Year 2014

In fiscal year 2014, the Department of Homeland Security (DHS) received fees and other collections totaling approximately \$15 billion from 38 programs with an estimated \$17 billion in identified program costs. For these 38 programs, table 4 describes the legal authorities, program descriptions and financial information in terms of total collections and identified program costs for fiscal year 2014.

**Table 4: Legislative Authority, Description, and Financial Information for Department of Homeland Security (DHS) Programs Receiving Fees and Other Collections in Fiscal Year 2014**

	Fee or collection program and authority	Description	Collections (dollars in millions)	Identified program costs <sup>a</sup> (dollars in millions)
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA)</b>	Radiological Emergency Preparedness Program (REPP) Fee 42 U.S.C. § 5196e; 44 C.F.R. § 354.4	A fee imposed for Nuclear Regulatory Commission licenses of commercial nuclear power plants to support REPP, a program that ensures the public health and safety of citizens living near commercial nuclear power plants will be adequately protected in the event of a nuclear power station incident and also informs and educates the public about radiological emergency preparedness. Fee collections are only available for FEMA and its contractor support of state and local government preparedness activities that take place beyond the nuclear power plant.	37	33
	National Flood Insurance Fund (NFIF) 42 U.S.C. § 4017 42 U.S.C. § 4014(a) 42 U.S.C. § 4015	The NFIF is a fee and premium-generated fund that supports the National Flood Insurance Program (NFIP) and provides flood insurance on a national basis. Funding for the NFIP is derived from offsetting collections <sup>b</sup> from two primary sources: <ul style="list-style-type: none"> <li>Policy fee income, paid by flood insurance policy holders that support floodplain management, flood mapping, insurance operations, and NFIP management.</li> <li>Flood insurance premiums, used to pay claims and flood-related grants, and that provide funding to support the operating and administrative costs associated with maintaining the program.</li> </ul>	3,757	2,594
<b>NATIONAL PROTECTION AND PROGRAM DIRECTORATE /FEDERAL</b>	Basic Security and Oversight Fees <sup>c</sup> 40 U.S.C. § 586(c); 41 C.F.R. § 102.85.35	Reimbursable agreements between FPS and another federal agency to fund law enforcement services on federally controlled property, preliminary investigations of incidents, and capture and arrest of suspects. It also includes 24-hour security alarm monitoring, nationwide dispatch services, facility security assessments, and assistance to Federal Security Committees.	330	341

**Appendix I: Department of Homeland Security  
(DHS) Programs Receiving Fees and Other  
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	<b>Fee or collection program and authority</b>	<b>Description</b>	<b>Collections (dollars in millions)</b>	<b>Identified program costs<sup>a</sup> (dollars in millions)</b>
<b>PROTECTIVE SERVICE (FPS)</b>	Building-Specific Security 40 U.S.C. § 586(c); 41 C.F.R. § 102.85.35	Reimbursable agreements between FPS and another federal agency to fund services provided in accordance with countermeasure security requirements generated through a facility security assessment or a customer request specific to a particular building; the charge includes an oversight fee to fund FPS oversight and overhead costs, and building costs are distributed to tenants based on the square footage assigned to them in the General Services Administration Occupancy Agreements.	503	505
	Reimbursable Agency-Specific Security 40 U.S.C. § 586(c); 41 C.F.R. § 102- 85.135	Negotiated reimbursable agreements between FPS and another federal agency to fund the same services performed as part of building-specific security, but configured to meet the security needs of an individual customer agency rather than the needs of a multi-tenant facility. Reimbursements consist of the estimated direct cost of the security services requested, plus the oversight and overhead costs as with the building specific oversight fee.	413	403
<b>TRANSPORTA TION SECURITY ADMINISTRATI ON (TSA)</b>	Air Cargo Fee Pub. L. No. 108-90, § 520, 117 Stat. 1137, 1156 (2003); 49 C.F.R. subchpt. C	A fee imposed for each individual that applies for or renews a security threat assessment to screen or have unescorted access to screened cargo, to recover the costs of conducting security threat assessments.	4	4
	Alien Flight School Fee 49 U.S.C. § 44939(g); Pub. L. No. 108-90, § 520, 117 Stat. 1137, 1156 (2003); 49 C.F.R. § 1552.5	A fee imposed on non-U.S. citizens applying for training at Federal Aviation Administration certified flight schools subject to security threat assessments to recover the costs of reviewing and assessing biographic and biometric information.	5	5
	Aviation Security Infrastructure Fee (Air Carrier Fee) 49 U.S.C. § 44940(a)(2), as enacted through Pub. L. No. 107-71, §118, 115 Stat. 597, 624 (2001); 49 C.F.R. pt. 1511	A fee imposed on air carriers (based on the amount a carrier spent for passenger and property screening during calendar year 2000 and for which, industry-wide, was set to recover \$420 million annually) to help offset costs associated with the provision of civil aviation security services. <sup>d</sup>	379	<sup>e</sup>

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<b>Fee or collection program and authority</b>	<b>Description</b>	<b>Collections (dollars in millions)</b>	<b>Identified program costs<sup>a</sup> (dollars in millions)</b>
Commercial Aviation and Airport Fee and Other Security Threat Assessment Fees <sup>f</sup> Pub. L. No. 108-90, § 520, 117 Stat. 1137, 1156 (2003); 49 C.F.R. subchpt. C, 28 C.F.R. § 20.31(e)	A fee imposed for each regulated individual seeking unescorted access to secure areas at U.S. airports, to operate aircraft to, from, or between general aviation airports closest to the National Capital Region, and to work as a flight crew member on aircraft operating under twelve-five or private charter security programs, to recover the cost of conducting security threat assessments.	7	7
General Aviation at Reagan National Airport Fee Pub. L. No. 108-176, § 823, 117 Stat. 2490, 2595 (2003); Pub. L. No. 108-90, § 520, 117 Stat. 1137, 1156 (2003); 49 C.F.R. §1562.27	A fee imposed on airport operators for each passenger and crewmember on fixed based operations arriving at and departing from Washington Reagan National Airport (DCA), to recover the cost of conducting security threat assessments.	<1	<1
Hazardous Materials Endorsement Fee 49 U.S.C. § 5103a; Pub. L. No. 108-90, § 520, 117 Stat. 1137, 1156 (2003); 72 Fed. Reg. 3,492 (Jan 25, 2007); 49 C.F.R. pt. 1572, subpt. E	A fee imposed for each applicant that applies to obtain, renew, or transfer a Hazardous Materials Endorsement (HME) on his or her state-issued Commercial Drivers' License (CDL) to recover the costs of conducting security threat assessments implemented under the Hazardous Materials Endorsement Threat Assessment program.	19	23
Passenger Civil Aviation Security Service Fee 449 U.S.C. § 44940(a)(1), (c); 49 C.F.R. § 1510.5	A fee imposed on passengers of U.S. and foreign-flagged air carriers for air transportation that originates at airports in the United States, to help offset costs associated with the provision of civil aviation security services (as described in the statute) except to the extent fees collected are deposited into the Aviation Security Capital Fund or are credited as offsetting receipts <sup>g</sup> and deposited into the general fund of the Treasury for purposes of deficit reduction. <sup>h</sup>	2,087	6,800 <sup>e</sup>



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	<b>Fee or collection program and authority</b>	<b>Description</b>	<b>Collections (dollars in millions)</b>	<b>Identified program costs<sup>a</sup> (dollars in millions)</b>
	Transportation Worker Identification Credential (TWIC) Fee  46 U.S.C. § 70105; Pub. L. No. 108-90, § 520, 117 Stat. 1137, 1156 (2003); 72 Fed. Reg. 3,492 (Jan. 25, 2007); 49 C.F.R. pt. 1572, subpt. F	A fee imposed for each applicant that applies to obtain, renew, or replace, a TWIC to recover the costs of implementing the TWIC program, including costs of conducting security threat assessment and credentialing services.	70	63
	TSA Pre✓™ Application Program Fee  Pub. L. No. 107-71, § 109(a), 115 Stat. 597, 613 (2001); Pub. L. No. 109-90, § 540, 119 Stat. 2064, 2088- 89 (2005); 78 Fed. Reg. 72,922 (Dec. 4, 2013)	A fee imposed on applicants to TSA's expedited screening program, to recover the costs of implementing the program, including the costs of security threat assessments conducted for each applicant.	50	30
<b>U.S. CITIZENSHIP AND IMMIGRATION SERVICES (USCIS)</b>	Fraud Prevention and Detection Fee  8 U.S.C. §§ 1184(c)(12)-(13), 1356(v); 8 C.F.R. § 103.7(b)(1)(i)(DDD)- (EEE)	A fee imposed on nonimmigrant petitioners to fund the costs of activities related to preventing and detecting fraud for all immigration benefit types, including efforts to oversee and enhance policies and procedures pertaining to the performance of law enforcement background checks on applicants and petitioners. USCIS receives one-third of the revenue, and the remaining revenue is shared between the Department of Labor and the Department of State.	45	47
	H-1B Nonimmigrant Petitioner Fee  8 U.S.C. §§ 1101(a)(15)(i)(B), 1184(c)(9), (11), 1356(s); 8 C.F.R. § 103.7(b)(1)(i)(CCC)- (EEE). See also Pub. L. No. 111-230, § 402(b)-(c), 124 Stat. 2485, 2487-88 (2010)	A fee imposed on an employer for certain petitions for nonimmigrant workers under the H-1B program that is used to offset a portion of the costs of contract activities (mail, filing, biometric, and data entry) and facility rent expenses supporting the processing of H-1B petition processing. USCIS receives 5 percent of the H-1B Nonimmigrant Petitioner Fee collections; the remaining revenue is shared between the Department of Labor and the National Science Foundation.	17	13

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	<b>Fee or collection program and authority</b>	<b>Description</b>	<b>Collections (dollars in millions)</b>	<b>Identified program costs<sup>a</sup> (dollars in millions)</b>
	Immigration Examinations Fee Account 8 U.S.C. § 1356(m)- (n); 8 C.F.R. § 103.7(b)(1)(i)	Fees charged to applicants and petitioners seeking immigration benefits to: <ul style="list-style-type: none"> <li>Fund the cost of providing adjudication and naturalization services, including the cost of similar services provided without charge to asylum applicants or other immigrants (referred to in this report as non-premium processing fees); and</li> <li>Fund certain premium-processing services for business customers, and to make infrastructure improvements in the adjudications and customer-service processes (referred to in this report as premium processing fees).</li> </ul>	2,786	2,979
<b>U.S. COAST GUARD (Coast Guard)</b>	8 U.S.C. § 1356(u); 8 C.F.R. § 103.7(b)(1)(i)(RR)			
	Commercial Vessel Documentation Fee 46 U.S.C. § 2110, 31 U.S.C. § 9701; 46 C.F.R. pt. 67	A fee imposed on commercial vessel owners to recover the costs of services provided and reimburse the Coast Guard for the costs of collecting the fees.	2	4
	Commercial Vessel Inspection Fee 46 U.S.C. § 2110, 31 U.S.C. § 9701; 46 C.F.R. § 2.10-101	A fee imposed on commercial vessel owners, including large corporations, small businesses, and individual private owners who have vessels requiring a Certificate of Inspection and those foreign vessel owners/ operators required to have a Certificate of Compliance, to recover the costs of providing vessel inspection services and to reimburse Coast Guard for the costs of collecting the fees.	10	25
	Merchant Mariner Licensing Documentation Fee 46 U.S.C. § 2110, 31 U.S.C. § 9701; 46 C.F.R. § 10.219	A fee imposed on United States merchant mariners related to credentialing activities to recover costs of services provided and reimburse the Coast Guard for the cost of collecting these fees.	8	33
	Overseas Inspection and Examination Fee 46 U.S.C. § 2110, 31 U.S.C. § 9701; 46 C.F.R. § 2.10-120	A fee imposed on commercial vessel owners, including large corporations, small businesses, and individual private owners who have vessels requiring Coast Guard Certification, requesting inspection services at non-US locations, to recover the costs of providing services and to reimburse the Coast Guard for the costs of collecting the fees.	1	4
	Recreational Vessel Documentation Fee 46 U.S.C. § 2110, 31 U.S.C. § 9701; 46 C.F.R. pt. 67	A fee imposed on owners of recreational vessels to recover the costs of services provided and reimburse Coast Guard for the costs of collecting the fees.	4	3

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<b>U.S. CUSTOMS AND BORDER PROTECTION (CBP)</b>	Agriculture Quarantine Inspection User Fees 21 U.S.C. § 136a; 7 C.F.R. § 354.3	A fee imposed on five modes of international passenger and conveyance transportation: (1) commercial aircraft (passenger and aircraft inspection); (2) seagoing vessels; (3) trucks with single entry; (4) trucks operating under a multiple entry transponder; and (5) loaded rail cars, to recover the costs of providing inspection activities for the international arrival of passengers, conveyances, animals, plants, and agricultural goods at ports of entry.	363	497
	Consolidated Omnibus Budget Reconciliation Act (COBRA) Fee 19 U.S.C. § 58c, 31 U.S.C. § 9701; 19 C.F.R. § 24.22	A fee imposed to recover costs incurred for processing air and sea passengers, commercial trucks, railroad cars, private aircraft and vessels, commercial vessels, dutiable mail packages, broker permits, barges and bulk carriers from Canada and Mexico, cruise vessel passengers, and ferry vessel passengers.	686	870
	Electronic System for Travel Authorization Fee 8 U.S.C. § 1187(h)(3)(B); 8 C.F.R. § 217.5(h)	A fee imposed on individuals intending to travel to the United States for admission as a nonimmigrant visitor under the Visa Waiver Program to recover the costs of providing and implementing the automated electronic travel authorization system that collects biographical and other information to evaluate, in advance of travel, the eligibility of the applicant to travel to the United States under the Visa Waiver Program, and whether such travel poses a law enforcement or security risk.	54	42
	Global Entry Fee 8 U.S.C. § 1365b (k)(3), 31 U.S.C. § 9701; 8 C.F.R. § 103.7(b)(1)(ii)(M)	A fee imposed on applicants to Global Entry, DHS's international registered traveler program that incorporates technologies, such as biometrics and e-passports, and security threat assessments to expedite screening and processing of international passengers.	87	60
	Harbor Maintenance Fee 26 U.S.C. §§ 4461, 9505, 31 U.S.C. § 9701; 19 C.F.R. § 24.24	A fee imposed on importers, domestic shippers, Foreign Trade Zone admission applicants, and passenger vessel operators using federal navigation projects, collected by CBP and available for expenses incurred by the Army Corps of Engineers in the operation and maintenance of certain U.S. channels and harbors and by CBP for costs associated with collecting the fee.	3	NA <sup>1</sup>
	Immigration Enforcement Fines Pub. L. No. 104-208, Div. C, § 382, 110 Stat. 3009 (1996); 8 U.S.C. § 1330(b); 8 C.F.R. § 280.53	Fines levied against foreign nationals for failure to depart the United States if so ordered, as well as on carriers transporting passengers to the United States that violate elements of immigration law, that fund activities to enhance enforcement under title 8 of the U.S. Code, including the identification, investigation, apprehension, detention, and removal of criminal aliens.	1	24

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Immigration Inspection User Fees 8 U.S.C. § 1356(d)- (e), (h); 8 C.F.R. pt. 286	Fees imposed on international passengers traveling to the United States for expenses incurred in providing inspection detention, and related services at air and sea ports of entry.	610	840
Land Border Inspection Fees 8 U.S.C. § 1356(q), 31 U.S.C. § 9701; 8 C.F.R. § 103.7(b)(ii)	Fees imposed on U.S. citizens, lawful permanent residents of the U. S., or other eligible non-immigrants, and non-U. S. citizens who meet documentation and entry requirements to recover the costs incurred for inspection services provided at land border ports of entry.	32	678
Merchandise Processing Fee (MPF) 19 U.S.C. § 58c (a)(9)-(10), 31 U.S.C. § 9701; 19 C.F.R. § 24.23 (b)	A fee imposed on merchandise imported into the United States to offset costs (salaries and expenses) incurred for the processing of merchandise that is formally and informally entered or released into the United States.	2,256	NA <sup>l</sup>
Miscellaneous User Fees  19 U.S.C. §§ 1524, 1641(h), 31 U.S.C. §9701; 19 C.F.R. §111.96  15 U.S.C. § 1124, 19 U.S.C. § 1524, 31 U.S.C. § 9701; 19 C.F.R. pt. 133  19 U.S.C. § 1524, 31 U.S.C. § 9701, 46 U.S.C. § 60105; 19 C.F.R. § 4.98	Fees imposed and from which CBP is reimbursed or repaid for salaries and expenses associated with administering 78 miscellaneous fees, three of which comprise 76 percent of all miscellaneous fee collections: <ul style="list-style-type: none"> <li>• Custom House Broker License Fee, which is a fee on customs brokers for services related to obtaining a brokers permit;</li> <li>• Recording Trademark/Patent Fee, which is a fee on importers for trademark protection by recording trademarks, trade names, and copyrights registered by the U.S. Patent and Trademark Office with CBP; and</li> <li>• Navigation Fee, which is a fee on vessel owners for providing services related to entry, clearance, and preparation of paperwork for vessels not required to pay the COBRA user fee.</li> </ul>	0	NA <sup>k</sup>
Puerto Rico Trust Fund <sup>l</sup> 48 U.S.C. §§ 740, 1469c	Duties and taxes collected by CBP on behalf of the government of Puerto Rico applicable to goods imported into the territory and from which CBP is reimbursed for expenses incurred for the performance of its mandatory customs activities and U.S. Immigration and Customs Enforcement (ICE) is reimbursed for investigative and enforcement duties performed in Puerto Rico. The balance of CBP's collections, after costs, is paid into the treasury of Puerto Rico to be expended as required by law for the government and benefit thereof.	180	31

**Appendix I: Department of Homeland Security  
(DHS) Programs Receiving Fees and Other  
Collections in Fiscal Year 2014**

	<b>Fee or collection program and authority</b>	<b>Description</b>	<b>Collections (dollars in millions)</b>	<b>Identified program costs<sup>a</sup> (dollars in millions)</b>
	User Fee Facility Fee 19 U.S.C. §§ 58b, 58c(b)(9)(A)(i); 19 C.F.R. § 122.15	A fee imposed on participating small airports and other facilities to fully reimburse CBP for customs inspection services. The fee charged under this program is set forth in a memorandum of agreement between CBP and the user fee facility, which may be adjusted annually as costs and requirements change.	8	10
	Virgin Islands Deposit Fund (VIDF) 48 U.S.C. §§ 1406i, 1469c	Duties and taxes collected by CBP on behalf of the government of the U.S. Virgin Islands applicable to goods imported into the U.S. Virgin Islands and from which CBP is reimbursed for expenses incurred in carrying out its customs activities as well as in the performance of inspection services for air passengers departing the U.S. Virgin Islands for the continental United States and Puerto Rico.	12	9
<b>U.S. IMMIGRATION AND CUSTOMS ENFORCEMENT (ICE)</b>	Breached Bond Detention Fund 8 U.S.C. §§ 1255(i)(3), 1356(r); 8 C.F.R. § 103.6	The fund, which is derived from all recovered breached cash and surety bonds in excess of the \$8 million posted in immigration cases, is available to ICE for expenses incurred in the collection of breached bonds, bond management, litigation activities to obtain compliance from surety companies found to be delinquent in their obligations, and for expenses associated with the detention of criminal and illegal aliens.	50	58 <sup>m</sup>
	Enforcement and Removal Operations Fee 31 U.S.C. § 9701; 8 C.F.R. §§ 103.7(b)(1)(ii)(F), 241.6	A fee imposed on applicants seeking an Administrative Stay of Deportation to fund detention beds and related costs within the Enforcement and Removal Operations directorate's Custody Operations Program.	2	2
	Immigration Inspection User Fee 8 U.S.C. § 1356(h); 8 C.F.R. pt. 286	A fee imposed for passengers arriving on commercial aircraft and vessels at U.S.-operated air and sea ports of entry that finances a portion of the costs of ICE operations to deter, detect, detain, adjudicate, and remove passengers attempting to make an unauthorized landing or to unlawfully bring foreign nationals into the United States through air and sea ports.	128	163
	Student and Exchange Visitor Program (SEVP) Fee 8 U.S.C. § 1372(e); 8 C.F.R. §§ 214.2(f)(19), (m)(20), 214.13	A fee imposed on nonimmigrant foreign students and exchange visitor program participants, to reimburse for expenses incurred in carrying out SEVP, which is intended to enhance national security by collecting, maintaining, and providing reliable information on foreign students, exchange visitors, and the schools and exchange programs that host them to assist in keeping our nation safe while facilitating the participation of students and exchange visitors in the academic programs in the United States.	141	144

Source: GAO analysis of DHS data. | GAO-16-443

<sup>a</sup>For the purposes of this report, the term "identified program costs" refers to the direct and indirect (i.e., full) costs associated with the collection, distribution, and provision of services as identified by DHS components. According to our review of component documentation, such as biennial fee reviews, program costs identified by components may include, but are not limited to, the direct and indirect costs associated with specific activities or tasks, such as administrative costs, salaries and

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**Appendix I: Department of Homeland Security  
(DHS) Programs Receiving Fees and Other  
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expenses, and inspection and screening services. We identified limitations of to the cost data provided by components such as the inability to accurately estimate and report direct and indirect cost, and note these limitations in the body of our report.

<sup>b</sup>Offsetting collections are amounts received by the federal government during the fiscal year authorized by law to be credited to appropriation or fund expenditure accounts. Offsetting collections are generally available for obligation to meet the account's purpose without further legislative action.

<sup>c</sup>For the purposes of this report, FPS's Basic Security and Oversight Fees are considered as one program because these collections are used to cover FPS's base operating expenses.

<sup>d</sup>Since its establishment, TSA had collected, both the Passenger Civil Aviation Security Service Fee and Air Carrier Fee to offset the costs of aviation security (that is, both fee collections offset the same identified program costs). The Bipartisan Budget Act of 2013, however, repealed TSA's authority to collect the Aviation Security Infrastructure Fee beginning October 1, 2014. See Pub. L. No. 113-67, § 601(a), 127 Stat. 1165, 1187 (2013) (repealing 49 U.S.C. § 44940(a)(2)).

<sup>e</sup>In fiscal year 2014, TSA collections from both the Passenger Civil Aviation Security Service Fee and the Air Carrier Fee offset the approximately \$6.8 billion in identified program costs listed in this table under the Passenger Civil Aviation Security Service Fee.

<sup>f</sup>In fiscal year 2013, TSA merged the finances of the Commercial Aviation and Airport and Other Security Threat Assessment fee programs. Because our reporting time frame is from 2010 through 2014, as appropriate, the finances of these programs are discussed jointly for the purposes of this report.

<sup>g</sup>Offsetting receipts are amounts received by the federal government during the fiscal year that offset against gross outlays but are not authorized to be credited to expenditure accounts. Offsetting receipts are deposited in receipt accounts and, unlike offsetting collections, cannot be used without being appropriated.

<sup>h</sup>See 49 U.S.C. §§ 44923(h) (providing that the first \$250 million collected in passenger security fees shall be available for deposit in the Aviation Security Capital Fund) and 44940(i) (providing that passenger security fee collections in the amounts specified in this subsection shall be credited as offsetting receipts and deposited in the general fund of the Treasury).

<sup>i</sup>In response to our request for data on identified program costs the for the Harbor Maintenance Fee, CBP provided these data but did not provide supporting documentation. Due to a lack of documentation we were unable to verify the reliability of the data, and thus these data are excluded from our report. However, CBP reported in its 2014 biennial fee report that its expenditures in fiscal year 2013 for its Harbor Maintenance Trust Fund were about \$3 million.

<sup>j</sup>In response to our request for data on identified program costs the for the Merchandise Processing Fees, CBP provided these data but did not provide supporting documentation. Due to a lack of documentation we were unable to verify the reliability of the data, and thus these data are excluded from our report. However, CBP reported in its 2014 biennial fee report that its program costs for the Merchandise Processing Fees were about \$ 1 billion.

<sup>k</sup>According to CBP officials, data on program cost were not provided because the component does not collect cost or volume data at a the level of detail needed to fully identify the connecting costs associated with specific fees within the fee program.

<sup>l</sup>According to CBP officials, the Puerto Rico Trust Fund (PRTF) and Virgin Islands Deposit Fund (VIDF) accounts operate differently than DHS's portfolio of fees and other collections. The PRTF and VIDF consist of customs duties collected in Puerto Rico and the U.S. Virgin Islands, respectively. CBP is required to act as the sole customs authority in both of the territories and is authorized to reimburse itself from the funds for the cost of carrying out customs activities. The balance in each fund is then remitted to the treasury of that territory. The trust funds are the sole source of funding for CBP to carry out its mandatory customs activities in Puerto Rico and the U.S. Virgin Islands.

<sup>m</sup>According to ICE officials, ICE expended \$58M in breached bond funding in fiscal year 2014 for expenses incurred in the collection of breached bonds, bond management, litigation activities to obtain compliance from surety companies found to be delinquent in meeting their obligations, and for expenses associated with the detention of criminal and illegal aliens.

# Appendix II: Department of Homeland Security Programs Receiving Fee and Other Collections with Identified Program Costs Exceeding Collections for FY 2014

**Table 5: Department of Homeland Security (DHS) Programs Receiving Fees and Other Collections with Identified Costs Exceeding Collections for Fiscal Year 2014**

DHS component	Program	Collections (dollars in millions)	Identified program costs <sup>a</sup> (dollars in millions)
Transportation Security Administration (TSA)	Passenger Civil Aviation Security Service Fee	2,087	6,800
U.S. Customs and Border Protection (CBP)	Land Border Inspection Fees	32	678
CBP	Immigration Inspection User Fees (IUF)	610 <sup>b</sup>	840
U.S. Citizenship and Immigration Services (USCIS)	Immigration Examinations Fee Account	2,786	2,979
CBP	Consolidated Omnibus Budget Reconciliations Act Fee (COBRA)	686	870
CBP	Agricultural Quarantine Inspection User Fees	363	497
U.S. Immigration and Customs Enforcement (ICE)	IUF	128	163
U.S. Coast Guard (Coast Guard)	Merchant Mariner Licensing Documentation Fee	8	33
CBP	Immigration Enforcement Fines	1	24
Coast Guard	Commercial Vessel Inspection Fee	10	25
National Protection and Programs Directorate (NPPD)/ Federal Protective Service (FPS)	Basic Security and Oversight Fees	330	341
ICE	Breached Bond Detention Fund	50	58 <sup>c</sup>
TSA	Hazardous Materials Endorsement Fee	19	23
ICE	Student and Exchange Visitor Program Fee	141	144
Coast Guard	Overseas Inspection and Examination Fee	1	4
Coast Guard	Commercial Vessel Documentation Fee	2	4
CBP	User Fee Facility Fee	8	10
USCIS	Fraud Prevention and Detection	45	47
NPPD/FPS	Building-Specific Security	503	505
TSA	Commercial Aviation and Airport Fee and Other Security Threat Assessment Fees <sup>d</sup>	7 <sup>e</sup>	7
ICE	Enforcement and Removal Operations Fee	2 <sup>f</sup>	2

Source: GAO analysis of DHS data. | GAO-16-443

<sup>a</sup>For the purposes of this report, the term "identified program costs" refers to the direct and indirect (i.e. full) costs associated with the collection, distribution, and provision of services as identified by DHS components. According to our review of component documentation, such as biennial fee

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**Appendix II: Department of Homeland Security  
Programs Receiving Fee and Other Collections  
with Identified Program Costs Exceeding  
Collections for FY 2014**

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reviews, program costs identified by components may include, but are not limited to, the direct and indirect costs associated with specific activities or tasks, such as administrative costs, salaries and expenses, and inspection and screening services. We identified limitations to the cost data provided by components such as the inability to accurately estimate and report direct and indirect cost, and note these limitations in the body of our report.

<sup>b</sup>The administration of the Immigration Inspection User Fee program is shared among two DHS components, U.S. Customs and Border Protection (CBP) and U.S. Immigration and Customs Enforcement (ICE). In accordance with a memorandum of understanding between the two components, CBP receives about 83 percent of fee collections and ICE receives the remaining 17 percent.

<sup>c</sup>According to ICE officials, ICE expended \$58M in breached bond funding in fiscal year 2014 for expenses incurred in the collection of breached bonds, bond management, litigation activities to obtain compliance from surety companies found to be delinquent in meeting their obligations, and for expenses associated with the detention of criminal and illegal aliens.

<sup>d</sup>In fiscal year 2013, TSA merged the finances of the Commercial Aviation and Airport and Other Security Threat Assessment Fee programs. Because our reporting timeframe is from 2010 through 2014, as appropriate, the finances of these programs are discussed jointly for the purposes of this report.

<sup>e</sup>In fiscal year 2014, TSA's Commercial Aviation and Airport Fee and Other Security Threat Assessment Fees' identified program costs exceeded collections. More specifically, the fee collections totaled \$6.63 million, with \$6.98 million in identified program costs.

<sup>f</sup>In fiscal year 2014, ICE's Enforcement and Removal Operations Fee's identified program costs exceeded collections. More specifically, the fee collections totaled \$1.68 million, with \$1.82 million in identified program costs.



# Appendix III: Department of Homeland Security Programs Receiving Fee and Other Collections by Amount of Unobligated Carryover Balance as the of End of FY 2014

Our analysis of DHS data showed that DHS components had unobligated balances carried over from fiscal year 2014 to the beginning of fiscal year 2015 totaling \$2.6 billion across 25 of the 38 programs receiving fees and other collections, as shown in table 6.

**Table 6: Department of Homeland Security (DHS) Programs Receiving Fee and Other Collections by Total Amount of Unobligated Balances Carried over from the End of Fiscal year 2014 to the Beginning of Fiscal Year 2015**

DHS component	Fee or collection program	Unobligated carryover balance (dollars in millions)
U.S. Citizenship and Immigration Services (USCIS)	Immigration Examinations Fee Account	983
Federal Emergency Management Agency (FEMA)	National Flood Insurance Fund	845
U.S. Immigration and Customs Enforcement (ICE)	Student and Exchange Visitor Program (SEVP) Fee	145
National Protection and Programs Directorate (NPPD)/ Federal Protective Service (FPS)	Basic Security and Oversight Fees	72
U.S. Customs and Border Protection (CBP)	Puerto Rico Trust Fund (PRTF)	71
NPPD/ FPS	Reimbursable Agency-Specific Security	69
CBP	Consolidated Omnibus Budget Reconciliation Act (COBRA) Fee	57
CBP	Global Entry Application Fee	54
USCIS	Fraud Prevention and Detection Fee	53
CBP	Electronic System for Travel Authorization Fee	52
NPPD/ FPS	Building-Specific Security	52
ICE	Immigration Inspection User Fee <sup>a</sup> (IUF)	28
Transportation Security Administration (TSA)	Transportation Worker Identification Credential Fee	21
USCIS	H-1B Nonimmigrant Petitioner Fee	15
CBP	User Fee Facility Fee	14
ICE	Breached Bond Detention Fund	14
CBP	Immigration Inspection User Fees	12
CBP	Land Border Inspection Fees	11
TSA	Hazardous Materials Endorsement Fee	9
TSA	Alien Flight School Fee	8
TSA	Air Cargo Fee	5
FEMA	Radiological Emergency Preparedness Program Fee	4
CBP	Immigration Enforcement Fines	1
TSA	General Aviation at Reagan National Airport Fee	1

**Appendix III: Department of Homeland Security  
Programs Receiving Fee and Other Collections  
by Amount of Unobligated Carryover Balance  
as the of End of FY 2014**

<b>DHS component</b>	<b>Fee or collection program</b>	<b>Unobligated carryover balance (dollars in millions)</b>
TSA	Commercial Aviation and Airport Fee and Other Security Threat Assessment Fees	1
ICE	Enforcement and Removal Operations Fee	< 1 <sup>b</sup>
CBP	Agricultural Quarantine Inspection User (AQI) Fees <sup>c</sup>	0
CBP	Virgin Islands Deposit Fund	0
TSA	TSA Pre✓™ Application Program Fee	0
CBP	Merchandise Processing Fee	0
CBP	Harbor Maintenance Fee <sup>d</sup>	0
CBP	Miscellaneous User Fees	0
TSA	Aviation Security Infrastructure Fee (Air Carrier Fee)	0
TSA	Passenger Civil Aviation Security Service Fee	0
U.S. Coast Guard (Coast Guard)	Commercial Vessel Documentation Fee	0
Coast Guard	Commercial Vessel Inspection Fee	0
Coast Guard	Merchant Mariner Licensing Documentation Fee	0
Coast Guard	Overseas Inspection and Examination Fee	0
Coast Guard	Recreational Vessel Documentation Fee	0

Source: GAO analysis of Department of Homeland Security component data. | GAO-16-443

<sup>a</sup>The administration of the Immigration Inspection User Fee (IUF) program is shared among two DHS components, U.S. Customs and Border Protection (CBP) and U.S. Immigration and Customs Enforcement (ICE). In accordance with a memorandum of understanding between the two components, CBP receives about 83 percent of fee collections and ICE receives the remaining 17 percent. For the purposes of this report, we counted the IUF program as one fee program, but separated reporting on unobligated carryover balances for each component to determine the extent each component has processes in place to manage its portion of fee collections to ensure the efficient use of funds.

<sup>b</sup>The unobligated carryover balance for ICE's Enforcement and Removal Operations Fee was an estimated \$400,000.

<sup>c</sup>Although CBP does not maintain an unobligated carryover balance for the AQI User Fees, the U.S. Department of Agriculture maintains a balance within an Animal Plant Health Inspection Service account, according to CBP officials.

<sup>d</sup>Although CBP does not maintain an unobligated carryover balance for the Harbor Maintenance Fee, the Harbor Maintenance Trust Fund, to which those fees are deposited, had a balance of over \$8 billion at the end of fiscal year 2014.

# Appendix IV: Status of Actions Taken by DHS Components to Address Identified Deficiencies and Recommended Actions Reported in Biennial Fee Reviews

DHS components identified 20 deficiencies across 18 programs receiving fees and other collections and recommended 48 actions across 23 programs in biennial fee reviews conducted in fiscal year 2012 or 2014. Our analysis showed that DHS components took action to address 11 of these 20 deficiencies through changes in agency regulation, proposed changes to legislation, or other actions as shown in table 7.

**Table 7: Status of Actions Taken by Department of Homeland Security (DHS) Components to Address Identified Deficiencies and Recommended Actions Reported in Fiscal Years 2012 and 2014 Biennial Fee Reviews**

	Fee program	Deficiencies identified by components	Actions recommended by components	Action taken	Actions taken to address deficiencies
<b>NATIONAL PROTECTION AND PROGRAMS DIRECTORATE (NPPD)/Federal Protective Service (FPS)</b>	Basic Security and Oversight Fees <sup>a</sup>	rate equityability issues	<ul style="list-style-type: none"> <li>Adjust fee structure through regulation to establish a basic security fee schedule that bases rates on a set range of building security profiles.</li> </ul>	recommended action not taken by component	<p>NPPD has not addressed the basic security fee equityability deficiency identified in the biennial fee review of FPS programs. Specifically, the biennial fee review concluded that the single \$0.74 basic security rate per rentable square foot charged to all FPS customers does not account for varying costs associated with specific services and facilities.<sup>b</sup></p> <p>In July 2015, the Office of Management and Budget (OMB) authorized a \$0.04 basic security fee increase from \$0.74 to \$0.78 per rentable square foot and a 2 percent increase in the oversight fee from 6 percent to 8 percent. However, this adjustment does not address the equityability deficiency identified in FPS's biennial fee review.</p>
	Building-Specific Security Fee	rate equityability issues	<ul style="list-style-type: none"> <li>Adjust fee structure through regulation to establish standard rates for building-specific security, as opposed to the current structure of customer-specific contracts.</li> </ul>	recommended action not taken by component	<p>NPPD has not addressed the building-specific security equityability deficiency identified in the biennial fee review of FPS programs. Specifically, the biennial fee review concluded that the contract-based structure for building-specific and reimbursable agency-specific security did not ensure that customers paid similar rates for receiving similar services.</p>
	Reimbursable Agency-Specific Security Fee	rate equityability issues	<ul style="list-style-type: none"> <li>Adjust fee structure through regulation to establish standard rates for reimbursable agency-specific security, as opposed to the current structure of customer-specific contracts.</li> </ul>	recommended action not taken by component	<p>NPPD has not addressed the reimbursable agency-specific security equityability deficiency identified in the biennial fee review of FPS programs. Specifically, the biennial fee review concluded that the contract-based structure for building-specific and reimbursable agency-specific security did not ensure that customers paid similar rates for receiving similar services.</p>

**Appendix IV: Status of Actions Taken by DHS  
Components to Address Identified Deficiencies  
and Recommended Actions Reported in  
Biennial Fee Reviews**

	<b>Fee program</b>	<b>Deficiencies identified by components</b>	<b>Actions recommended by components</b>	<b>Action taken</b>	<b>Actions taken to address deficiencies</b>
<b>TRANSPORTATION SECURITY ADMINISTRATION (TSA)</b>	Air Cargo Fee	n/a	<ul style="list-style-type: none"> <li>Complete Standardized Vetting, Adjudication, and Redress (SVAR) review and regulatory effort among TSA's vetting programs to align fee rates for similar services and adjust rates through regulation.</li> </ul>	Not specified	In 2012, TSA commenced the SVAR effort to review and address variations in the application and implementation processes of its vetting and credentialing fee programs. TSA officials stated that SVAR intends to streamline the transportation security vetting process to a single application and credential card, harmonizing the list of disqualifying offenses, and establishing one fee rate across the vetting and credentialing programs. TSA anticipates that SVAR will culminate in fiscal year 2018 with finalized regulatory amendments.
	Alien Student Flight School Fee	n/a	<ul style="list-style-type: none"> <li>Complete the SVAR review and regulatory effort among TSA's vetting programs to align fee rates for similar services and adjust rates through regulation.</li> </ul>	Not specified	In 2012, TSA commenced the SVAR effort to review and address variations in the application and implementation processes of its vetting and credentialing fee programs. TSA officials stated that SVAR intends to streamline the transportation security vetting process to a single application and credential card, harmonizing the list of disqualifying offenses, and establishing one fee rate across the vetting and credentialing programs. TSA anticipates that SVAR will culminate in fiscal year 2018 with finalized regulatory amendments.
	Commercial Aviation and Airport Fee and Other Security Threat Assessment Fees <sup>c</sup>	adjust rates or establish charges to recover greater share of costs <sup>d</sup>	<ul style="list-style-type: none"> <li>Adjust fee rates through regulation.</li> <li>Complete the SVAR review and regulatory effort among TSA's vetting programs to align fee rates for similar services and adjust rates through regulation.<sup>e</sup></li> </ul>	recommended action taken by component	In 2012, TSA commenced the SVAR effort to review and address variations in the application and implementation processes of its vetting and credentialing fee programs. TSA officials stated that SVAR intends to address the cost recovery issues identified in the Commercial Aviation and Airport Fee and Other Security Threat Assessment Fees biennial fee reviews by streamlining the transportation security vetting process to a single application and credential card, harmonizing the list of disqualifying offenses, and establishing one fee rate across the vetting and credentialing programs. TSA anticipates that SVAR will culminate in fiscal year 2018 with finalized regulatory amendments.

**Appendix IV: Status of Actions Taken by DHS  
Components to Address Identified Deficiencies  
and Recommended Actions Reported in  
Biennial Fee Reviews**

Fee program	Deficiencies identified by components	Actions recommended by components	Action taken	Actions taken to address deficiencies
	adjust rates or establish charges to recover greater share of costs <sup>f</sup>	<ul style="list-style-type: none"> <li>Adjust fee rates through regulation.</li> </ul>	recommended action taken by component	In 2012, TSA commenced the SVAR effort to review and address variations in the application and implementation processes of its vetting and credentialing fee programs. TSA officials stated that SVAR intends to address the cost recovery issues identified in the Commercial Aviation and Airport Fee and OSTA Fees biennial fee reviews by streamlining the transportation security vetting process to a single application and credential card, harmonizing the list of disqualifying offenses, and establishing one fee rate across the vetting and credentialing programs. TSA anticipates that SVAR will culminate in fiscal year 2018 with finalized regulatory amendments.
General Aviation at Reagan National Airport Fee	n/a	<ul style="list-style-type: none"> <li>Complete the SVAR review and regulatory effort among TSA's vetting programs to align fee rates for similar services and adjust rates through regulation.</li> </ul>	Not specified	In 2012, TSA commenced the SVAR effort to review and address variations in the application and implementation processes of its vetting and credentialing fee programs. TSA officials stated that SVAR intends to streamline the transportation security vetting process to a single application and credential card, harmonizing the list of disqualifying offenses, and establishing one fee rate across the vetting and credentialing programs. TSA anticipates that SVAR will culminate in fiscal year 2018 with finalized regulatory amendments.
Hazardous Materials Endorsement Fee	n/a	<ul style="list-style-type: none"> <li>Complete the SVAR review and regulatory effort among TSA's vetting programs to align fee rates for similar services and adjust rates through regulation.</li> </ul>	Not specified	In 2012, TSA commenced the SVAR effort to review and address variations in the application and implementation processes of its vetting and credentialing fee programs. TSA officials stated that SVAR intends to streamline the transportation security vetting process to a single application and credential card, harmonizing the list of disqualifying offenses, and establishing one fee rate across the vetting and credentialing programs. TSA anticipates that SVAR will culminate in fiscal year 2018 with finalized regulatory amendments.

**Appendix IV: Status of Actions Taken by DHS  
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	<b>Fee program</b>	<b>Deficiencies identified by components</b>	<b>Actions recommended by components</b>	<b>Action taken</b>	<b>Actions taken to address deficiencies</b>
	Transportation Worker Identification Credential Fee	n/a	<ul style="list-style-type: none"> <li>Complete the SVAR review and regulatory effort among TSA's vetting programs to align fee rates for similar services and adjust rates through regulation.</li> </ul>	Not specified	In 2012, TSA commenced the SVAR effort to review and address variations in the application and implementation processes of its vetting and credentialing fee programs. TSA officials stated that SVAR intends to streamline the transportation security vetting process to a single application and credential card, harmonizing the list of disqualifying offenses, and establishing one fee rate across the vetting and credentialing programs. TSA anticipates that SVAR will culminate in fiscal year 2018 with finalized regulatory amendments.
<b>U.S. CITIZENSHIP AND IMMIGRATION SERVICES (USCIS)</b>	Immigration Examinations Fee Account (IEFA)	apply other resources to meet difference between collections and costs	<ul style="list-style-type: none"> <li>Apply unobligated carryover balance amounts from IEFA or Fraud Prevention and Detection fee programs.</li> <li>Recognize decreased IEFA personnel costs due to vacancy and attrition.</li> <li>Assume realization of anticipated recoveries of prior year unpaid obligations.</li> <li>Assume net revenue from Temporary Protected Status program and include in overall IEFA collections.</li> </ul>	recommended action taken by component	USCIS officials stated that the IEFA had sufficient unobligated carryover balance to meet fiscal year 2014 program costs without requiring the agency to take any of the other corrective actions recommended. In addition, USCIS issued a proposed rule in May 2016 to address the difference between costs and collections within IEFA, including most nonpremium fees.
<b>U.S. COAST GUARD (Coast Guard)</b>	Commercial Vessel Documentation Fee	adjust rates or establish charges to recover greater share of costs	<ul style="list-style-type: none"> <li>Adjust fee rates through regulation.</li> <li>Conduct a study to determine whether documentation services provided at no charge should be considered chargeable services.</li> </ul>	recommended action taken by component	In August 2014, the Coast Guard amended its vessel documentation regulations to establish a \$26 annual fee for renewals of commercial and recreational endorsements that allows the vessel documentation program to fully recover costs.
	Commercial Vessel Inspection Fee	adjust rates or establish charges to recover greater share of costs	<ul style="list-style-type: none"> <li>Adjust fee rates through regulation.</li> </ul>	recommended action not taken by component	According to a Coast Guard official, a regulatory proposal is underway to update or restructure vessel inspection fees, including overseas inspection and examination fees. The Coast Guard initially posted a notice of inquiry seeking public comment on factors to consider for this process in December 2010; however, according to the official, progress in proposing regulation has been delayed by the scope of the required cost study.

**Appendix IV: Status of Actions Taken by DHS  
Components to Address Identified Deficiencies  
and Recommended Actions Reported in  
Biennial Fee Reviews**

<b>Fee program</b>	<b>Deficiencies identified by components</b>	<b>Actions recommended by components</b>	<b>Action taken</b>	<b>Actions taken to address deficiencies</b>
Merchant Mariner Licensing Documentation Fee	adjust rates or establish charges to recover greater share of costs	<ul style="list-style-type: none"> <li>Restructure fee program through regulation to ensure each credentialing endorsement has an associated fee.</li> <li>Establish fees for course management through regulation.</li> <li>Establish fees for international endorsements through regulation.</li> <li>Establish fees for medical suitability evaluations through regulation.</li> <li>Receive authorization to develop next-generation credentialing information technology system.</li> </ul>	recommended action not taken by component	According to a Coast Guard official, the Coast Guard is considering a regulatory proposal to establish new fees as recommended in the biennial fee review. The official stated the Coast Guard will complete an ongoing effort to refine collection processes for the existing fees before proceeding with the proposal.
Overseas Inspection and Examination Fee	adjust rates or establish charges to recover greater share of costs	<ul style="list-style-type: none"> <li>Adjust fee rate through regulation.</li> </ul>	recommended action not taken by component	According to a USCG official, a regulatory proposal is underway to update or restructure vessel inspection fees, including overseas inspection and examination fees. USCG initially posted a notice of inquiry seeking public comment on factors to consider for this process in December 2010; however, according to the official, progress in proposing regulation has been delayed by the scope of the required cost study.
Recreational Vessel Documentation Fee	adjust rates or establish charges to recover greater share of costs	<ul style="list-style-type: none"> <li>Adjust fee rates through regulation.</li> <li>Conduct a study to determine whether documentation services provided at no charge should be considered chargeable services.</li> </ul>	recommended action taken by component	<p>In August 2014, the Coast Guard amended its vessel documentation regulations to establish a \$26 annual fee for renewals of commercial and recreational endorsements that allows the vessel documentation program to fully recover costs.</p> <p>According to Coast Guard officials, fee collections must fully fund recreational vessel documentation program costs. Prior to establishing the renewal fee, the Coast Guard met this requirement by reducing program costs, which, according to a USCG official, lead to an application backlog and delayed service delivery.</p>

**Appendix IV: Status of Actions Taken by DHS  
Components to Address Identified Deficiencies  
and Recommended Actions Reported in  
Biennial Fee Reviews**

	<b>Fee program</b>	<b>Deficiencies identified by components</b>	<b>Actions recommended by components</b>	<b>Action taken</b>	<b>Actions taken to address deficiencies</b>
<b>U.S. CUSTOMS AND BORDER PROTECTION (CBP)</b>	Agricultural Quarantine Inspection (AQI) User Fee	adjust rates or establish charges to recover greater share of costs	<ul style="list-style-type: none"> <li>Adjust fee rates through regulation.</li> <li>Adjust fee caps through regulation.</li> <li>Change payment schedule.</li> <li>Report recommended fee adjustments to Congress.</li> <li>Consolidate Consolidated Omnibus Budget Reconciliation Act (COBRA) Fees, Immigration Inspection User Fees (IUF), and a portion of AQI fees through a legislative proposal.</li> </ul>	recommended action taken by component	In October 2015, the U.S. Department of Agriculture, which retains 39 percent of AQI collections, amended AQI regulations to recover costs of current program activity by adding new fee categories and adjusting current fee rates for certain AQI services provided in connection with certain commercial vessels, commercial trucks, commercial railroad cars, commercial aircraft, and international passengers arriving at ports in the customs territory of the United States. This regulatory amendment also adjusted or removed fee caps associated with commercial trucks, commercial vessels, and commercial railcars.
	Consolidated Omnibus Budget Reconciliation Act (COBRA) Fees	adjust rates or establish charges to recover greater share of costs	<ul style="list-style-type: none"> <li>Consolidate COBRA Fees, Immigration User Fees, and a portion of AQI Fees through a legislative proposal.</li> </ul>	recommended action taken by component	<p>In fiscal years 2013 through 2017, CBP submitted legislative proposals to address cost recovery that would increase COBRA commercial air and sea vessel passenger fee rates by \$2.00 to a rate of \$7.50 per passenger— with proportional rate increases and cap adjustments across the other COBRA fees.</p> <p>CBP reported that these proposals will allow the agency to recover more program costs associated with customs-related inspections, and reduce customs-related inspection wait times by supporting the hiring of up to 900 new CBP officers.</p>
	Immigration Enforcement Fines	adjust rates or establish charges to recover greater share of costs	<ul style="list-style-type: none"> <li>Implement a system to regularly adjust fine rates through regulation.</li> </ul>	recommended action not taken by component	A CBP official stated that the agency prioritizes pursuing rate adjustments to increase cost recovery for its three largest fee programs (AQI, COBRA, and IUF) over taking corrective action to address deficiencies identified in its other fee programs (Immigration Enforcement Fines, Land Border Inspection Fees, and Merchandise Processing Fees).



**Appendix IV: Status of Actions Taken by DHS  
Components to Address Identified Deficiencies  
and Recommended Actions Reported in  
Biennial Fee Reviews**

<b>Fee program</b>	<b>Deficiencies identified by components</b>	<b>Actions recommended by components</b>	<b>Action taken</b>	<b>Actions taken to address deficiencies</b>
Immigration Inspection User Fees	adjust rates or establish charges to recover greater share of costs	<ul style="list-style-type: none"> <li>Adjust fee rates through a legislative proposal.</li> <li>Change payment schedule.</li> <li>Report recommended fee adjustments to congress.</li> <li>Consolidate COBRA Fees, Immigration User Fees, and a portion of AQI Fees through a legislative proposal.</li> </ul>	recommended action taken by component	<p>In fiscal years 2013 through 2017, CBP submitted legislative proposals to address cost recovery that would increase IUF rates by \$2.00 to a rate of \$9.00 per passenger and remove the exemption that charges a \$3.00 rate to sea vessel passengers traveling from a U.S. state, territory, or possession; Canada, Mexico, or adjacent island.</p> <p>The proposal states that lifting these fee exemptions will bring fee collections more in line with the costs of conducting sea passenger inspections, and together with the proposed fee increase, would reduce wait times at air and sea ports of entry by supporting the hiring of approximately 1, 230 new CBP officers.</p>
Land Border Inspection Fees	adjust rates or establish charges to recover greater share of costs	<ul style="list-style-type: none"> <li>Consolidate and harmonize fees to improve cost data through regulation.</li> <li>Use improved cost data to adjust fee rates through federal rulemaking process.</li> <li>Subsidize border crossings through a legislative proposal, as charging each pedestrian crosser would be an impractical practice for CBP to administer.</li> <li>Conduct a study to determine appropriate rate structure.</li> </ul>	recommended action not taken by component	A CBP official stated that the agency prioritizes pursuing rate adjustments to increase cost recovery for its three largest fee programs (AQI, COBRA, and IUF) over taking corrective action to address deficiencies identified in its other fee programs (Immigration Enforcement Fines, Land Border Inspection Fees, and Merchandise Processing Fees).
Merchandise Processing Fee (MPF)	rate equity issues	<ul style="list-style-type: none"> <li>Align fee rates with inspection costs through a legislative proposal.</li> <li>Adjust fee caps to ensure charges align with inspection costs through a legislative proposal.</li> <li>Report recommended fee adjustments to Congress.</li> <li>Expand definition of customs revenue functions through a legislative proposal to reflect activity-driven cost recovery criteria.</li> </ul>	recommended action not taken by component	A CBP official stated that the agency prioritizes pursuing rate adjustments to increase cost recovery for its three largest fee programs (AQI, COBRA, and IUF) over taking corrective action to address deficiencies identified in its other fee programs (Immigration Enforcement Fines, Land Border Inspection Fees, and Merchandise Processing Fees).

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<b>Fee program</b>	<b>Deficiencies identified by components</b>	<b>Actions recommended by components</b>	<b>Action taken</b>	<b>Actions taken to address deficiencies</b>
User Fee Facility Fee	rate equity issues	Conduct a study to analyze user fee facility operations, costs, and activities in order to better align fee rates with program costs.	recommended action taken by component	<p>Statute governing the User Fee Facilities program only permits CBP to recover costs for customs inspection services and not immigration or agricultural inspection services. Rates are set through a memorandum of agreement (MOA) signed by CBP and the concerned airport authority.</p> <p>CBP's biennial fee review of the User Fee Facilities program states that the rate charged to airports might not align with the grade of the deployed officer, as some deployed officers perform immigration or agricultural services, or both, while on duty and record hours to other activity codes in addition to the User Fee Facilities activity code.</p> <p>CBP officials stated that the agency is revising MOAs to ensure that costs charged to airports equitably align with services provided. As of November 2015, CBP is undergoing this process for about 6 of the 49 facilities served under the User Fee Facilities program. CBP officials state that such adjustments may better align rates to the cost of services provided.</p>
	carryover balance management	Amend statute to allow CBP to collect for all services provided by deployed officers.	recommended action taken by component	<p>According to CBP officials, the growth in the Small Airports carryover balance can be attributed to a lack of systems capability to bill actual direct and indirect program costs. Thus, according to CBP officials, the agency did not seek reimbursement for indirect costs incurred from fiscal years 2004—when the current Small Airport rates were established—through 2012.</p> <p>In 2012, CBP began piloting a new module within its financial system that captures actual salary benefit and overtime costs for each user fee airport facility and bills actual expenses on a monthly basis. CBP officials stated that the pilot system, once fully implemented, may reduce carryover over time.</p> <p>CBP also officials stated that the process of revising MOAs to better align rates to the cost of services provided could stem the growth of the User Fee Facility carryover balance over time.</p>

**Appendix IV: Status of Actions Taken by DHS  
Components to Address Identified Deficiencies  
and Recommended Actions Reported in  
Biennial Fee Reviews**

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<b>U.S. IMMIGRATION AND CUSTOMS ENFORCEMENT (ICE)</b>	Student and Exchange Visitor Program (SEVP)	carryover balance management	Increase fee for fiscal year 2018 in order to meet target for minimum carryover balance	recommended action taken by component	In June 2015, ICE reported in its SEVP Fee Model Briefing that SEVP spending authority is less than fee collections, a status which, over time, has the potential to increase carryover balance to unjustifiable levels. According to ICE officials, the agency plans to address this deficiency in fiscal year 2017 by submitting a legislative proposal outside of the budget formulation process to increase SEVP spending authority. ICE officials stated that the agency has generally been successful in requesting these spending authority increases, in part because ICE conducts in-depth fee studies that model optimal unobligated balance levels.
<b>n/a</b>	<b>Totals</b>	<b>20</b>	<b>48</b>	<b>Not specified</b>	<b>Not specified</b>

Legend:

n/a = not applicable

Source: GAO review of biennial fee reviews provided by DHS components. | GAO-16-443

<sup>a</sup>For the purposes of this report, FPS's Basic Security and Oversight Fees are considered as one program because these collections are used to cover FPS's base operating expenses.

<sup>b</sup>In the President's fiscal year 2017 budget request DHS recommended retaining the current fee structure with a fee increase, and in accordance with OMB Circular A-25, FPS will conduct a review of its fees and fee structure every two years.

<sup>c</sup>Although TSA merged the finances for the Commercial Aviation and Airport and Other Security Threat Assessment Fee programs in fiscal year 2013, these fees were separate programs when TSA conducted its biennial fee reviews. This analysis considers these as one fee program with separate deficiencies in its Commercial Aviation and Airport Fee and OSTA portions to retain consistency across our report, where the finances of these programs are discussed jointly.

<sup>d</sup>Deficiency identified by TSA specific to the Commercial Aviation and Airport Fee program.

<sup>e</sup>TSA recommended this action in its biennial fee reviews for both Commercial Aviation and Airport Fee program and Other Security Threat Assessment Fees. This analysis considers it one shared recommendation because TSA merged these fees near the outset of its SVAR effort.

<sup>f</sup>Deficiency identified by TSA specific to the Other Security Threat Assessment fees program.

# Appendix V: Comments from the Department of Homeland Security



July 1, 2016

Andrew Von Ah  
Acting Director, Homeland Security and Justice  
U.S. Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Re: Management's Response to Draft Report GAO-16-443, "DHS MANAGEMENT: Enhanced Oversight Could Better Ensure Programs Receiving Fees and Other Collections Use Funds Efficiently"

Dear Mr. Von Ah:

Thank you for the opportunity to review and comment on this draft report. The U.S. Department of Homeland Security (DHS) appreciates the U.S. Government Accountability Office's (GAO) work in planning and conducting its review and issuing this report.

The Department is pleased to note GAO's positive acknowledgment of the steps that DHS has taken to strengthen its management and oversight of fee programs. In particular, GAO recognized the creation of the DHS Fee Governance Council for the purpose of establishing a consistent program for the financial management of fee programs across the Department. DHS remains committed to strengthening its DHS-wide oversight processes through Secretary of Homeland Security Jeh Johnson's Unity of Effort initiative using avenues, such as the Fee Governance Council, to achieve the strategies, goals, and objectives of the DHS mission, while ensuring proper financial management and stewardship of taxpayer dollars.

It is also important, however, to highlight that DHS does not believe GAO's characterization of DHS Components' planning processes for managing carryover balances is entirely accurate. Specifically, GAO characterized these processes as being too heavily focused on ensuring continuity of program operations rather than the efficient use of funds, when in fact, Components actively manage carryover balances to ensure the effective use of program funds. For example, the U.S. Citizenship and Immigration Services' (USCIS) fee account annual operating plan development process combines projections of spending revenue with gap analysis to guide resource deployment in order to best achieve critical mission goals. In addition, USCIS is currently prototyping new

tools to measure and assess fee account carryover balances, cash flow, and changes to the fee balances, which are expected to be fully deployed no later than September 30, 2016.

The draft report contained five recommendations with which the Department concurs. Please see the attached for our detailed response to each recommendation.

Again, thank you for the opportunity to review and comment on this draft report. Technical comments were previously provided under separate cover. Please feel free to contact me if you have any questions. We look forward to working with you in the future.

Sincerely,



JIM H. CRUMPACKER, CIA, CFE  
Director  
Departmental GAO-OIG Liaison Office

**Attachment: DHS Management Response to Recommendations  
Contained in GAO-16-443**

GAO recommended that the Secretary of Homeland Security direct the DHS Chief Financial Officer (CFO) to use some means, such as the DHS Fee Governance Council, to ensure that Component management take the following actions for each fee and other collections program that they administer:

**Recommendation 1:** Document the processes and analyses for assessing and, as appropriate, for managing the difference between program costs and collections and document resulting decisions.

**Response:** Concur. DHS's Fee Governance Council, led by its Chair, the DHS Deputy CFO, has initiated a process for strengthening the guidance to the Components regarding fee programs. As part of this process, the Council will develop and disseminate DHS-wide guidance for documenting the processes and analyses for assessing and, as appropriate, for managing the difference between program costs and collections and document resulting decisions. Estimated Completion Date (ECD): July 31, 2017.

**Recommendation 2:** Establish processes for managing unobligated carryover balances, to include targets for minimum and maximum balances for programs that lack such processes and targets.

**Response:** Concur. DHS's Fee Governance Council, led by its Chair, the DHS Deputy CFO, has initiated a process for strengthening the guidance to the Components regarding fee programs. As part of this process, the Council will develop and disseminate DHS-wide guidance for establishing processes for managing unobligated carryover balances, to include targets for minimum and maximum balances for programs that lack such processes and targets. ECD: July 31, 2017.

**Recommendation 3:** Conduct reviews to identify any management and operational deficiencies.

**Response:** Concur. DHS's Fee Governance Council, led by its Chair, the DHS Deputy CFO, has initiated a process for strengthening the guidance to the Components regarding fee programs. As part of this process, the Council will develop and disseminate DHS-wide guidance for conducting reviews to identify any management and operational deficiencies for each fee and other collections program that they administer. ECD: July 31, 2017.

**Recommendation 4:** Take action to track and report on management and operational deficiencies - including reasons supporting any decisions to not pursue recommended actions - identified in fee reviews or through other means.

**Response:** Concur. DHS's Fee Governance Council, led by its Chair, the DHS Deputy CFO, has initiated a process for strengthening the guidance to the Components regarding fee programs. As part of this process, the Council will develop and disseminate DHS-wide guidance taking action to track and report on management and operational deficiencies - including reasons supporting any decisions to not pursue recommended actions - identified in fee reviews. ECD: July 31, 2017.

GAO also recommended that the Secretary of Homeland Security direct the DHS CFO to:

**Recommendation 5:** Discuss the results of biennial fee reviews and any resultant proposals in the annual Agency Financial Report, annual performance report, or other reporting mechanism, consistent with the CFO Act and OMB Circular A-25.

**Response:** Concur. DHS's Fee Governance Council, led by its Chair, the DHS Deputy CFO, is currently developing a consolidated tracking system for the results of biennial fee reviews and any resultant proposals. The DHS Office of the Chief Financial Officer's Financial Management Division will ensure that the results of biennial fee reviews and any resultant proposals is discussed in the annual DHS Agency Financial Report. ECD: July 31, 2017.

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# Appendix VI: GAO Contact and Staff Acknowledgments

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## GAO Contact

Andrew Von Ah, (213) 830-1011 or [vonaha@gao.gov](mailto:vonaha@gao.gov)

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## Staff Acknowledgments

In addition to the contact named above, Lacinda “Cindy” Ayers, Assistant Director, and Michelle Woods, Analyst-in-Charge, managed this review. Wendy Dye and Jesse Tow made significant contributions to the work. Dominick Dale, Roshni Dave, Lorraine Ettaro, Eric Hauswirth, James Kernan, Thomas F. Lombardi, Susan Murphy, Laurel Plume, Amanda Postiglione, and Amelia Shachoy also contributed to this report.



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# Appendix VII: Accessible Data

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## Agency Comment Letter

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Text of Appendix V:  
Comments from the  
Department of Homeland  
Security

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Page 1	<p>U.S. Department of Homeland Security</p> <p>Washington, DC 20528</p> <p>Homeland Security</p> <p>July 1, 2016</p> <p>Andrew Von Ah</p> <p>Acting Director, Homeland Security and Justice</p> <p>U.S. Government Accountability Office</p> <p>441 G Street, NW</p> <p>Washington, DC 20548</p> <p>Re: Management's Response to Draft Report GA0-16-443, "DHS MANAGEMENT: Enhanced Oversight Could Better Ensure Programs Receiving Fees and Other Collections Use Funds Efficiently"</p> <p>Dear Mr. Von Ah:</p> <p>Thank you for the opportunity to review and comment on this draft report. The U.S. Department of Homeland Security (DHS) appreciates the U.S. Government Accountability Office's (GAO) work in planning and conducting its review and issuing this report.</p> <p>The Department is pleased to note GAO's positive acknowledgment of the steps that DHS has taken to strengthen its management and oversight of fee programs. In particular, GAO recognized the creation of</p>
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JIM H. CRUMPACKER, CIA, CFA

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Data Table for Figure 1: Department of Homeland Security (DHS) Fees and Other Collections by Component for Fiscal Year 2014		
	Percentage	Amount
U.S. Customs and Border Protection	28%	\$4.29 billion
Federal Emergency Management Agency	25%	\$3.79 billion
U.S. Citizenship and Immigration Services	19%	\$2.85 billion
Transportation Security Administration	17%	\$2.62 billion
National Protection and Programs Directorate/Federal Protective Service	8%	\$1.25 billion

Data Table

	Percentage	Amount
U.S. Immigration and Customs Enforcement	2%	\$321 million
U.S. Coast Guard	<1%	\$24 million

**Data Table for Figure 2: Immigration Examinations Fee Account (IEFA) Unobligated Carryover Balances by Fee Type from Fiscal Years 2010 through 2014**

Dollars in millions

Fiscal year	Nonpremium processing fees	Premium processing fees	Total IEFA unobligated carryover balance
2010	583	125	708
2011	741	163	904
2012	864	251	1115
2013	836	324	1160
2014	516	467	983

**Data Table for Figure 3: Unobligated Carryover Balances from Federal Protective Service's (FPS) Fee Programs Available to Cover Identified Program Costs Incurred for the Basic Security and Oversight Program, Fiscal Years 2011 through 2014**

Dollars in millions

Fiscal year	Basic Security and Oversight unobligated carryover balance	Building-Specific Security unobligated carryover balance	Reimbursable Agency-Specific Security unobligated carryover balance	Basic Security and Oversight identified program costs
2011	27.4	12.9	12.3	305.2
2012	37.2	26.2	20.4	323.2
2013	49.4	35.2	34.8	327.5
2014	59.7	48.3	44.9	341.5

**Data Table for Figure 4: Unobligated Carryover Balances from U.S. Customs and Border Protection's (CBP) User Fee Facility Program Available to Cover Identified Program Costs Incurred, Fiscal Years 2011 through 2014**

Dollars in millions

Fiscal year	Unobligated carryover balance	Identified program costs
2011	16.2	6.4
2012	16	8.3

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Fiscal year	Unobligated carryover balance	Identified program costs
2013	17.3	8.3
2014	16.9	10.4

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# Related GAO Products

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*Department of Homeland Security: Progress Made, but Work Remains in Strengthening Acquisition and Other Management Functions*, [GAO-16-507T](#). Washington, D.C.: March. 16, 2016.

*Federal User Fees: Key Considerations for Designing and Implementing Regulatory Fees*, [GAO-15-718](#). Washington, D.C.: September 16, 2015.

*High-Risk Series: An Update*, [GAO-15-290](#). Washington, D.C.: February 11, 2015.

*Budget Issues: Key Questions to Consider When Evaluating Balances in Federal Accounts*, [GAO-13-798](#). Washington, D.C.: September 30, 2013.

*Federal User Fees: Fee Design Options and Implications for Managing Revenue Instability*. [GAO-13-820](#). Washington, D.C.: September 30, 2013.

*Agricultural Quarantine Inspection Fees: Major Changes Needed to Align Fee Revenues with Program Costs*. [GAO-13-268](#). Washington, D.C.: March 1, 2013.

*Budget Issues: Better Fee Design Would Improve Federal Protective Service's and Federal Agencies' Planning and Budgeting for Security*. [GAO-11-492](#). Washington, D.C.: May 20, 2011.

*Federal User Fees: Additional Analyses and Timely Reviews Could Improve Immigration and Naturalization User Fee Design and USCIS Operations*. [GAO-09-180](#). Washington, D.C.: January 23, 2009.

*Federal User Fees: A Design Guide*. [GAO-08-386SP](#). Washington, D.C.: May 29, 2008.

*Federal User Fees: Substantive Reviews Needed to Align Port-Related Fees With the Programs They Support*. [GAO-08-321](#). Washington, D.C.: February 22, 2008.

*Federal User Fees: Key Aspects of International Air Passenger Inspection Fees Should Be Addressed Regardless of Whether Fees Are Consolidated*. [GAO-07-1131](#). Washington, D.C.: September 24, 2007.

*Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies*, [GAO-06-15](#). Washington, D.C.: October 21, 2005.

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